

**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, 2017 to December 31, 2017



**FILED**  
10/17/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Drew Cooper	01-01-16 to 12-31-19
President of the Town Council	Jake Smith	01-01-17 to 12-31-18



**STATE OF INDIANA**  
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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, 2017, 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 from 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 to 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, 2017.

***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, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

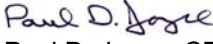
*Other Information*

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 September 7, 2018, 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 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'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's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

September 7, 2018



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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, 2017, and the related notes to the financial statement, and have issued our report thereon dated September 7, 2018, 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.

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 Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

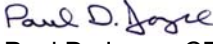
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**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 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 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

September 7, 2018

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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, 2017

Fund	Cash and Investments		Cash and Investments	
	01-01-17	Receipts	Disbursements	12-31-17
GENERAL	\$ 33,279	\$ 779,691	\$ 740,105	\$ 72,865
MVH	16,650	87,928	81,004	23,574
LOCAL ROAD & STREET	10,494	54,045	16,941	47,598
LAW ENFORCEMENT CONT ED	1,055	1,490	1,557	988
PARK & RECREATION	32,263	198,670	188,343	42,590
RAINY DAY FUND	22,539	-	21,985	554
POLICE RESERVES	824	150	-	974
LEVY EXCESS	210	-	-	210
CUM CAP IMPROVEMENT	9,229	5,647	10,454	4,422
CUM CAP DEVELOPMENT	46,622	18,321	12,891	52,052
CUM CAP FIRE FIGHT EQUIP	23,149	3,382	5,969	20,562
LEASE RENTAL FUND	36,479	75,211	107,000	4,690
TAX INCREMENT FINANCE	306,427	58,729	203,524	161,632
PROPERTY MAINTENANCE	6,983	-	-	6,983
RIVERBOAT	14,842	13,755	13,000	15,597
PARK DONATIONS	1,297	2,285	-	3,582
CIVIC CENTER	5,813	27,405	9,925	23,293
POLICE K-9	3,787	3,422	4,705	2,504
POLICE DONATIONS	1,819	1,200	1,329	1,690
POLICE K-9 ACQUISITION FUND	-	2,900	-	2,900
LOIT POLICE PUBLIC SAFETY	21,005	25,446	20,000	26,451
LOIT FIRE PUBLIC SAFETY	27,005	25,447	5,040	47,412
LOIT SPECIAL DISTRIBUTION	10,510	-	10,510	-
INDOT GRANT FUND	-	32,813	32,813	-
K9 A VEH CAGE FUND	-	600	-	600
K9 B VEH CAGE FUND	-	600	-	600
K9 A VEH DEP FUND	-	480	-	480
K9 B VEH DEP FUND	-	480	-	480
TOWNSHIP REBATE FUND	-	4,335	4,335	-
SIDEWALK FUND	43	-	-	43
INVESTMENTS CLEARING FUND	-	100,000	100,000	-
Cheers 5K Fund	-	380	380	-
STORMWATER RETAINAGE	-	76,193	76,193	-
PAYROLL CLEARING	-	768,188	768,188	-
MEDICAL INSURANCE FUND	7,927	122,438	122,927	7,438
DENTAL INSURANCE FUND	890	9,558	9,467	981
VISION INSURANCE FUND	187	2,576	2,614	149
AFLAC INSURANCE FUND	99	4,511	4,287	323
ELECTRIC OPERATING	198,028	2,165,734	2,162,586	201,176
ELECTRIC METER DEPOSIT	111,245	25,056	20,551	115,750
ELECTRIC CAPITAL	126,032	60,000	-	186,032
IMPA ENERGY EFFICIENCY	1,019	1,019	1,019	1,019
UTILITY APPLICATION FEES	918	1,280	1,509	689
BAD DEBT COLLECTED FUND	3,044	2,813	5,153	704
ELECTRIC CASH RESERVE	140,374	99,993	31,965	208,402
STORMWATER OPERATING	14,127	133,522	136,095	11,554
STORMWATER CAPITAL	12,766	87,317	41,890	58,193
SRF 2014 P & I	129,536	167,946	166,849	130,633
SRF 2014 RESERVE	97,843	34,194	-	132,037
STORMWATER CASH RESERVE	41,000	5,500	22,000	24,500
STORMWATER OCRA GRANT	-	975,175	975,175	-
SEWAGE OPERATING	40,765	453,575	461,917	32,423
SEWAGE METER DEPOSITS	32,430	5,520	5,550	32,400
SEWAGE CAPITAL	48,106	9,000	54,820	2,286
SEWAGE CASH RESERVE FUND	43,000	9,000	5,000	47,000
WATER OPERATING	39,790	525,475	529,010	36,255
WATER METER DEPOSIT	25,390	5,245	4,295	26,340
WATER CAPITAL	38,760	6,000	8,207	36,553
WATER OCRA GRANT	-	10,631	10,631	-
WATER FIRE HYDRANT FUND	76,127	28,500	-	104,627
WATER RADIO-READ METERS	1,445	-	-	1,445
SRF 2015 LOAN	-	335,920	335,920	-
SRF 2015 P & I	96,361	148,642	132,920	112,083
SRF 2015 RESERVE	29,757	30,001	-	59,758
WATER CASH RESERVE FUND	43,000	6,000	5,000	44,000
WATER RETAINAGE	100,272	-	100,272	-
Totals	\$ 2,132,562	\$ 7,841,334	\$ 7,793,820	\$ 2,180,076

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 include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received 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.* Amounts received from charges for current services.

*Other receipts.* Amounts received from various sources, including, but 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 include the following uses:

*Personal services.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness

*Utility operating expenses.* Amounts disbursed for operating the utilities.

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Other disbursements.* Amounts disbursed for various other purposes including, but 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.

*F. Interfund Transfers*

The Town may, from time to time, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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.

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

TOWN OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.  *Holding Corporation***

The Town has entered into a capital lease with Middletown Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related-party of the Town. Lease payments during the year 2017 totaled \$87,000.

**Note 8.  *Subsequent Event***

In 2018, the Town was awarded federal grant A192-18-WW-17-106 for \$550,000. The purpose of the grant is to improve the Town's wastewater treatment plant and collection system.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Town's Annual Financial Report 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, 2017

	GENERAL	MVH	LOCAL ROAD & STREET	LAW ENFORCEMENT CONT ED	PARK & RECREATION	RAINY DAY FUND	POLICE RESERVES
Cash and investments - beginning	\$ 33,279	\$ 16,650	\$ 10,494	\$ 1,055	\$ 32,263	\$ 22,539	\$ 824
Receipts:							
Taxes	432,418	-	-	-	145,186	-	-
Licenses and permits	14,997	-	-	-	-	-	-
Intergovernmental receipts	60,968	87,928	54,045	-	20,665	-	-
Charges for services	145,165	-	-	-	28,557	-	-
Fines and forfeits	465	-	-	1,490	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	125,678	-	-	-	4,262	-	150
Total receipts	779,691	87,928	54,045	1,490	198,670	-	150
Disbursements:							
Personal services	387,914	75,700	-	-	91,747	-	-
Supplies	26,681	-	-	1,557	38,334	21,985	-
Other services and charges	296,512	5,304	-	-	56,255	-	-
Capital outlay	27,891	-	16,941	-	1,897	-	-
Other disbursements	1,107	-	-	-	110	-	-
Total disbursements	740,105	81,004	16,941	1,557	188,343	21,985	-
Excess (deficiency) of receipts over disbursements	39,586	6,924	37,104	(67)	10,327	(21,985)	150
Cash and investments - ending	\$ 72,865	\$ 23,574	\$ 47,598	\$ 988	\$ 42,590	\$ 554	\$ 974

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	LEVY EXCESS	CUM CAP IMPROVEMENT	CUM CAP DEVELOPMENT	CUM CAP FIRE FIGHT EQUIP	LEASE RENTAL FUND	TAX INCREMENT FINANCE
Cash and investments - beginning	\$ 210	\$ 9,229	\$ 46,622	\$ 23,149	\$ 36,479	\$ 306,427
Receipts:						
Taxes	-	-	14,747	2,726	48,866	58,729
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	5,647	2,114	385	6,345	-
Charges for services	-	-	-	-	20,000	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,460	271	-	-
Total receipts	-	5,647	18,321	3,382	75,211	58,729
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	5,698	-	-
Other services and charges	-	-	11,118	271	107,000	-
Capital outlay	-	-	-	-	-	203,524
Other disbursements	-	10,454	1,773	-	-	-
Total disbursements	-	10,454	12,891	5,969	107,000	203,524
Excess (deficiency) of receipts over disbursements	-	(4,807)	5,430	(2,587)	(31,789)	(144,795)
Cash and investments - ending	\$ 210	\$ 4,422	\$ 52,052	\$ 20,562	\$ 4,690	\$ 161,632

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	<u>PROPERTY MAINTENANCE</u>	<u>RIVERBOAT</u>	<u>PARK DONATIONS</u>	<u>CIVIC CENTER</u>	<u>POLICE K-9</u>	<u>POLICE DONATIONS</u>
Cash and investments - beginning	\$ 6,983	\$ 14,842	\$ 1,297	\$ 5,813	\$ 3,787	\$ 1,819
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	2,285	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	13,755	-	27,405	3,422	1,200
Total receipts	-	13,755	2,285	27,405	3,422	1,200
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	4,705	1,329
Other services and charges	-	-	-	8,981	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	13,000	-	944	-	-
Total disbursements	-	13,000	-	9,925	4,705	1,329
Excess (deficiency) of receipts over disbursements	-	755	2,285	17,480	(1,283)	(129)
Cash and investments - ending	\$ 6,983	\$ 15,597	\$ 3,582	\$ 23,293	\$ 2,504	\$ 1,690

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	POLICE K-9 ACQUISITION FUND	LOIT POLICE PUBLIC SAFETY	LOIT FIRE PUBLIC SAFETY	LOIT SPECIAL DISTRIBUTION	INDOT GRANT FUND	K9 A VEH CAGE FUND
Cash and investments - beginning	\$ -	\$ 21,005	\$ 27,005	\$ 10,510	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,900	25,446	25,447	-	32,813	600
Total receipts	2,900	25,446	25,447	-	32,813	600
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	5,040	10,510	32,813	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	20,000	-	-	-	-
Total disbursements	-	20,000	5,040	10,510	32,813	-
Excess (deficiency) of receipts over disbursements	2,900	5,446	20,407	(10,510)	-	600
Cash and investments - ending	\$ 2,900	\$ 26,451	\$ 47,412	\$ -	\$ -	\$ 600

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	K9 B VEH CAGE FUND	K9 A VEH DEP FUND	K9 B VEH DEP FUND	TOWNSHIP REBATE FUND	SIDEWALK FUND	INVESTMENTS CLEARING FUND
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 43	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	600	480	480	4,335	-	100,000
Total receipts	600	480	480	4,335	-	100,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	4,335	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	100,000
Total disbursements	-	-	-	4,335	-	100,000
Excess (deficiency) of receipts over disbursements	600	480	480	-	-	-
Cash and investments - ending	\$ 600	\$ 480	\$ 480	\$ -	\$ 43	\$ -

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Cheers 5K Fund	STORMWATER RETAINAGE	PAYROLL CLEARING	MEDICAL INSURANCE FUND	DENTAL INSURANCE FUND	VISION INSURANCE FUND
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 7,927	\$ 890	\$ 187
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	380	76,193	768,188	122,438	9,558	2,576
Total receipts	380	76,193	768,188	122,438	9,558	2,576
Disbursements:						
Personal services	-	-	732,321	-	-	-
Supplies	380	76,193	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	-	35,867	122,927	9,467	2,614
Total disbursements	380	76,193	768,188	122,927	9,467	2,614
Excess (deficiency) of receipts over disbursements	-	-	-	(489)	91	(38)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 7,438	\$ 981	\$ 149

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	AFLAC INSURANCE FUND	ELECTRIC OPERATING	ELECTRIC METER DEPOSIT	ELECTRIC CAPITAL	IMPA ENERGY EFFICIENCY	UTILITY APPLICATION FEES
Cash and investments - beginning	\$ 99	\$ 198,028	\$ 111,245	\$ 126,032	\$ 1,019	\$ 918
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	2,139,753	-	-	-	-
Other receipts	4,511	25,981	25,056	60,000	1,019	1,280
Total receipts	4,511	2,165,734	25,056	60,000	1,019	1,280
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	4,287	2,162,586	20,551	-	1,019	1,509
Total disbursements	4,287	2,162,586	20,551	-	1,019	1,509
Excess (deficiency) of receipts over disbursements	224	3,148	4,505	60,000	-	(229)
Cash and investments - ending	\$ 323	\$ 201,176	\$ 115,750	\$ 186,032	\$ 1,019	\$ 689

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	BAD DEBT COLLECTED FUND	ELECTRIC CASH RESERVE	STORMWATER OPERATING	STORMWATER CAPITAL	SRF 2014 P & I	SRF 2014 RESERVE
Cash and investments - beginning	\$ 3,044	\$ 140,374	\$ 14,127	\$ 12,766	\$ 129,536	\$ 97,843
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	130,803	-	-	-
Other receipts	2,813	99,993	2,719	87,317	167,946	34,194
Total receipts	2,813	99,993	133,522	87,317	167,946	34,194
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	5,153	31,965	136,095	41,890	166,849	-
Total disbursements	5,153	31,965	136,095	41,890	166,849	-
Excess (deficiency) of receipts over disbursements	(2,340)	68,028	(2,573)	45,427	1,097	34,194
Cash and investments - ending	\$ 704	\$ 208,402	\$ 11,554	\$ 58,193	\$ 130,633	\$ 132,037

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	STORMWATER CASH RESERVE	STORMWATER OCRA GRANT	SEWAGE OPERATING	SEWAGE METER DEPOSITS	SEWAGE CAPITAL	SEWAGE CASH RESERVE FUND
Cash and investments - beginning	\$ 41,000	\$ -	\$ 40,765	\$ 32,430	\$ 48,106	\$ 43,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	440,536	-	-	-
Other receipts	5,500	975,175	13,039	5,520	9,000	9,000
Total receipts	5,500	975,175	453,575	5,520	9,000	9,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	22,000	975,175	461,917	5,550	54,820	5,000
Total disbursements	22,000	975,175	461,917	5,550	54,820	5,000
Excess (deficiency) of receipts over disbursements	(16,500)	-	(8,342)	(30)	(45,820)	4,000
Cash and investments - ending	\$ 24,500	\$ -	\$ 32,423	\$ 32,400	\$ 2,286	\$ 47,000

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	WATER OPERATING	WATER METER DEPOSIT	WATER CAPITAL	WATER OCRA GRANT	WATER FIRE HYDRANT FUND	WATER RADIO-READ METERS
Cash and investments - beginning	\$ 39,790	\$ 25,390	\$ 38,760	\$ -	\$ 76,127	\$ 1,445
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	10,631	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	522,458	-	-	-	-	-
Other receipts	3,017	5,245	6,000	-	28,500	-
Total receipts	525,475	5,245	6,000	10,631	28,500	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	529,010	4,295	8,207	10,631	-	-
Total disbursements	529,010	4,295	8,207	10,631	-	-
Excess (deficiency) of receipts over disbursements	(3,535)	950	(2,207)	-	28,500	-
Cash and investments - ending	\$ 36,255	\$ 26,340	\$ 36,553	\$ -	\$ 104,627	\$ 1,445

TOWN OF MIDDLETOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	SRF 2015 LOAN	SRF 2015 P & I	SRF 2015 RESERVE	WATER CASH RESERVE FUND	WATER RETAINAGE	Totals
Cash and investments - beginning	\$ -	\$ 96,361	\$ 29,757	\$ 43,000	\$ 100,272	\$ 2,132,562
Receipts:						
Taxes	-	-	-	-	-	702,672
Licenses and permits	-	-	-	-	-	14,997
Intergovernmental receipts	335,920	-	-	-	-	584,648
Charges for services	-	-	-	-	-	196,007
Fines and forfeits	-	-	-	-	-	1,955
Utility fees	-	-	-	-	-	3,233,550
Other receipts	-	148,642	30,001	6,000	-	3,107,505
<b>Total receipts</b>	<b>335,920</b>	<b>148,642</b>	<b>30,001</b>	<b>6,000</b>	<b>-</b>	<b>7,841,334</b>
Disbursements:						
Personal services	-	-	-	-	-	1,287,682
Supplies	-	-	-	-	-	229,560
Other services and charges	-	-	-	-	-	485,441
Capital outlay	-	-	-	-	-	250,253
Other disbursements	335,920	132,920	-	5,000	100,272	5,540,884
<b>Total disbursements</b>	<b>335,920</b>	<b>132,920</b>	<b>-</b>	<b>5,000</b>	<b>100,272</b>	<b>7,793,820</b>
Excess (deficiency) of receipts over disbursements	-	15,722	30,001	1,000	(100,272)	47,514
Cash and investments - ending	\$ -	\$ 112,083	\$ 59,758	\$ 44,000	\$ -	\$ 2,180,076

TOWN OF MIDDLETOWN  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ -	\$ 186,849
Storm Water	-	11,525
Wastewater	-	67,258
Water	-	57,572
Governmental activities	-	-
Totals	\$ -	\$ 323,204

TOWN OF MIDDLETOWN  
SCHEDULE OF LEASES AND DEBT  
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Middletown Building Corporation	Municipal Building	\$ 90,000	12/30/2006	12/30/2029
Total of annual lease payments		<u>\$ 90,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Storm Water: Bonds Payable	SRF 2014 - 5th Street Project	\$ 2,454,000	\$ 166,310
Water: Bonds Payable	SRF 2015 - Water Treatment Plant Project	<u>2,330,000</u>	<u>148,070</u>
Town:			
Notes and loans payable	2013 Police Explorer	5,297	5,429
Notes and loans payable	2013 F250 Utility Truck	6,696	4,614
Notes and loans payable	2013 F150 Utility Truck	7,710	5,311
Notes and loans payable	2014 F150 Police Truck	7,693	5,337
Notes and loans payable	2015 F350 Utility Truck	11,095	5,759
Notes and loans payable	2016 Police Explorer	17,558	6,167
Notes and loans payable	2016 Police Explorer 2	18,663	5,653
Notes and loans payable	2017 F150 Police Truck	14,477	3,871
Notes and loans payable	2018 Police ATV	-	3,824
Notes and loans payable	2018 Police Silverado	-	3,756
Totals		<u>\$ 4,873,189</u>	<u>\$ 364,101</u>

TOWN OF MIDDLETOWN  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2017

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	<u>1,798,042</u>
Total governmental activities	<u>5,563,642</u>
Electric:	
Infrastructure	518,179
Buildings	272,108
Machinery, equipment, and vehicles	<u>166,608</u>
Total Electric	<u>956,895</u>
Storm Water:	
Infrastructure	4,625,513
Machinery, equipment, and vehicles	<u>23,000</u>
Total Storm Water	<u>4,648,513</u>
Wastewater:	
Land	132,700
Infrastructure	2,635,984
Buildings	145,000
Improvements other than buildings	50,000
Machinery, equipment, and vehicles	<u>74,100</u>
Total Wastewater	<u>3,037,784</u>
Water:	
Land	3,800
Infrastructure	2,634,376
Buildings	3,091,855
Machinery, equipment, and vehicles	<u>24,540</u>
Total Water	<u>5,754,571</u>
Total capital assets	<u>\$ 19,961,405</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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 *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

**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 the Uniform Guidance, 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 a 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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

The Town's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF MIDDLETOWN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2017

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
8th Street Stormsewer Project			A192-16-DR2-09-279	\$ -	\$ 975,175
Water Treatment Plant Replacement Project			A192-16-WW-14-106	-	10,631
Total - Department of Housing and Urban Development				-	985,806
Total federal awards expended				\$ -	\$ 985,806

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MIDDLETOWN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. *Summary of Significant Accounting Policies***

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding disclosed that is required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
14.228	Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

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

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

**FINDING 2017-001**

Subject: Community Development Block Grant/State's program and  
Non-Entitlement Grants in Hawaii - Period of Performance

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's  
program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Numbers and Years (or Other Identifying Numbers): A192-16-WW-14-106  
A192-16-DR2-09-279

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with the requirements related to the grant agreement and the Period of Performance compliance requirement.

The Town did not have procedures in place to verify that the Period of Performance compliance requirement was met. The Town did not comply with the Period of Performance compliance requirement, as the Town had expenditures that were not obligated prior to the completion date.

*Context*

The lack of controls and noncompliance were isolated to the two awards identified above.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

2 CFR 200.71 states:

"When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Town in noncompliance with the grant agreement and the Period of Performance compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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  
office: (765) 354 2268  
fax: (765) 354 3068

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**CORRECTIVE ACTION PLAN**

**FINDING 2017-001**

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

**Views of Responsible Official:** We concur with the finding.

**Description of Corrective Action Plan:** As part of any future project progress meeting involving a project with an OCRA grant, an agenda item will be included to review the OCRA Grant Agreement Completion Date. If the date needs to be adjusted due to engineering change or any other reason, a request will be sent in writing to OCRA requesting the date be extended.

**Anticipated Completion Date:** This procedural update will be implemented immediately. This new procedure will be used with the current OCRA contract #25213 for Sewer Treatment Plant Updates.

  
\_\_\_\_\_  
Signature

CLERK-TREASURER  
\_\_\_\_\_  
Title

9-7-2018  
\_\_\_\_\_  
Date

#### 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/>.