



Dave Yost • Auditor of State

**CITY OF MIDDLETOWN
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	Under Separate Cover
Comprehensive Annual Financial Report	Under Separate Cover
Federal Awards Expenditure Schedule	1
Notes to the Federal Awards Expenditures Schedule	2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	5
Schedule of Findings	9
Schedule of Prior Year Findings	11

This page intentionally left blank.

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**DRAFT SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant Entitlements	N/A	14.218	\$ 584,038
Neighborhood Stabilization Program	B-08-MN-39-0011	14.218	\$ 29,542
			<u>613,580</u>
<i>Passed Through Butler County Department of Community Development</i>			
Home Program - Investment Partnership Program	B-11-UC-39-0008	14.239	134,622
Total U.S. Department of Housing and Urban Development			<u>748,202</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Justice Assistance Grant - 2014		16.738	32,966
Edward Byrne Memorial Justice Assistance Grant - 2013	2013-DJ-BX-0242	16.738	6,523
Edward Byrne Memorial Justice Assistance Grant - 2013	2013-DJ-BX-0242	16.738	11,294
			<u>50,783</u>
Total U.S. Department of Justice			<u>50,783</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
FEMA	865-RR-3878	97.036	4,500
Total U.S. Department of Homeland Security			<u>4,500</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Public Transportation for Urbanized Areas</i>			
Operating Assistance	OH-90-X751-03	20.507	767,329
Capital Assistance	OH-90-X751-03	20.507	175,824
Paratransit Grant	OH-90-X751-03	20.507	120,983
Total Public Transportation of Urbanized Areas			<u>1,064,136</u>
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction - Oxford State Rd	90542	20.205	40,501
Highway Planning and Construction - Towne Blvd	87507	20.205	347,495
Highway Planning and Construction - Yankee Rd Phase 2	93130	20.205	226,168
			<u>614,164</u>
Federal Aviation Administration (FAA)	03-1809	20.106	181,066
Alcohol Impaired Driving Countermeasures		20.601	9,326
Total U.S. Department of Transportation			<u>1,868,692</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Butler County Board of Health</i>			
Hospital Preparedness Program - EBOLA		93.817	7,250
Total U.S. Department of Health and Human Services			<u>7,250</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 2,679,427</u>

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**DRAFT SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015**
(concluded)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards summarizes activity of the City's Federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOANS

The City had established a revolving loan program under the Community Development Block Grant (CDBG) to provide low-interest loans to businesses in order to create jobs for persons from low-to-moderate income households; and to eligible persons to rehabilitate homes. The City has also established a down payment assistance program under the HOME Program (HOME) to provide down payment/closing cost assistance, five-year forgivable loans to income-eligible, qualified home buyers. The City records initial loans amounts as disbursements on the Schedule of Expenditures of Federal Awards in the year of issuance. At December 31, 2015, the City had outstanding loan balances of \$890,626 under the CDBG Program and \$1,089,623 under the HOME Program.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Middletown
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Butler County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2016 wherein we noted that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Middletown
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Middletown's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the City of Middletown's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying 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 opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Middletown complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Middletown (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated July 26, 2016. Our opinion also explained that the City adopted *Governmental Accounting Standard No. 68* and *Governmental Accounting Standard No. 71* during the year. We conducted our audit to opine on the City's' basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of Middletown
Butler County
Independent Auditor's Report on Compliance with Requirements Applicable to Each
Major Federal Program and on Internal Control over Compliance Required by
the Uniform Guidance
Page 3

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2016

This page intentionally left blank.

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster, CFDA #20.507 Highway Planning and Construction Cluster, CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This page intentionally left blank.

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Prior period capital asset reporting error	No Longer Warranting Further Action	Error was corrected during the prior audit
2014-002	Overstatement of intergovernmental revenue	Corrective Action Taken and Finding is Fully Corrected	
2014-003	CFDA 14.871 24 CFR part 5, subpart H: annual financial information not submitted	No Longer Warranting Further Action	The City did not operate this grant in 2015
2014-004	CFDA 14.871 24 CFR 982.158: complete and accurate accounts and other records not maintained; 24 CFR 982.201: waiting list for admission not maintained	No Longer Warranting Further Action	The City did not operate this grant in 2015
2014-005	CFDA 14.239 2 CFR 225, Appendix B: improper charges of salaries and wages, utilizing a budgeted allocation	Corrective Action Taken and Finding is Fully Corrected	
2014-006	CFDA 14.239 OMB Circular A-133: improper subrecipient monitoring	Corrective Action Taken and Finding is Fully Corrected	
2014-007	CFDA 16.710 Improper reimbursement of salary and fringe benefit amounts	No Longer Warranting Further Action	The City did not operate this grant in 2015
2014-008	CFDA 16.710 Reimbursement for costs made outside the period of availability	No Longer Warranting Further Action	The City did not operate this grant in 2015
2014-009	CFDA 16.710 Final Financial Report expenditures not supported by underlying accounting records	No Longer Warranting Further Action	The City did not operate this grant in 2015