

**TOWN OF MIDDLETOWN, RHODE ISLAND**

**SINGLE AUDIT REPORTS**

**YEAR ENDED JUNE 30, 2009**



TOWN OF MIDDLETOWN, RHODE ISLAND

SINGLE AUDIT REPORTS

YEAR ENDED JUNE 30, 2009

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance and on the Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

Honorable President and Members of the Town Council  
Town of Middletown, Rhode Island  
Middletown, Rhode Island

**Compliance**

We have audited the compliance of the Town of Middletown, Rhode Island (the Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town of Middletown, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 (Continued)**

Honorable President and Members of the Town Council  
Town of Middletown, Rhode Island

Internal Control over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middletown, Rhode Island as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 (Continued)**

Honorable President and Members of the Town Council  
Town of Middletown, Rhode Island

This report is intended solely for the information and use of the Town of Middletown, Rhode Island, its management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*DeKraatz, Jay Lunkel, Charpi & DeGuzol, P.C.*

December 18, 2009

**TOWN OF MIDDLETOWN, RHODE ISLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Identifying Number</i>	<i>Expenditures</i>
<b><i>U.S. Department of Agriculture:</i></b>			
<i>Passed through the State Department of Education</i>			
Child Nutrition Cluster:	10.555		
National School Lunch Program		N/A	\$ 250,970
Food Distribution - Commodities		N/A	<u>38,243</u>
<i>Total U.S. Department of Agriculture</i>			<u>289,213</u>
<b><i>U.S. Department of Defense:</i></b>			
<i>Direct Program</i>			
National Defense Appropriation Act	12.116	N/A	<u>99,088</u>
<b><i>U.S. Department of Housing and Urban Development:</i></b>			
<i>Passed through the RI Department of Administration - Office of Municipal Affairs:</i>			
<i>Community Development Block Grants:</i>			
State Administered Small Cities Program:	14.228		
Year 22		07/19/21	75,000
Year 23		08/19/22	<u>46,748</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>121,748</u>
<b><i>Department of the Interior, Bureau of Land Management, U.S. Fish and Wildlife Service:</i></b>			
<i>Direct Program:</i>			
Payment in Lieu of Taxes	15.226	N/A	<u>25,125</u>
<b><i>U.S. Department of Justice:</i></b>			
<i>Drug Enforcement Administration:</i>			
Law Enforcement Assistance Narcotics and Dangerous Drug Training (DEA)	16.004	N/A	23,339
Bureau of Justice Assistance	16.607	N/A	3,883
<i>Office of Community Oriented Policing Services:</i>			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>280,590</u>
<i>Total U.S. Department of Justice</i>			<u>307,812</u>
<b><i>U.S. Department of Transportation:</i></b>			
<i>Passed through the Rhode Island Department of Transportation - Governor's Office on Highway Safety:</i>			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety:	20.600		
Operation Blue Riptide (speed management)		10/01/08-09/30/09	3,759
<i>Alcohol Traffic Safety and Drunk Driving Prevention:</i>			
Operation Blue Riptide (impaired driving)	20.601	10/01/07-09/30/08	165
Operation Blue Riptide (impaired driving)		10/01/08-09/30/09	1,503
Click it or Ticket	20.614	10/01/08-09/30/09	<u>2,480</u>
<i>Total U.S. Department of Transportation</i>			<u>7,907</u>

(continued)

**TOWN OF MIDDLETOWN, RHODE ISLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Identifying Number</i>	<i>Expenditures</i>
<b><i>U.S. Department of Education:</i></b>			
<i>Direct Program:</i>			
Impact Aid PL 81-874	84.041	N/A	\$ 2,437,339
<i>Passed through the State Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	1420-51600-801	276,165
<i>Special Education Cluster:</i>			
<i>Special Education - Grants to States:</i>			
IDEA Child Opportunity Zone	84.027	1430-10053-801	22,929
IDEA Part B - Professional Services	84.027	1430-50500-801	
<i>Special Education - Preschool Grants:</i>			
IDEA Part B Section 619 - Project Enhance	84.173	1430-50800-801	69,283
Safe and Drug-Free Schools and Communities-State Grants	84.186	1420-52900-801	10,200
Education for Homeless Children and Youth	84.196	1410-51200-801	30,280
State Grants for Innovative Programs - Title V	84.298	1420-51600-801	
English Language Acquisition Grant - Title III	84.365	1420-52900-801	16,307
Immigration Assistance Title III	84.365A	1420-54100-801	5,250
Eisenhower Professional Development State Grants - Title IIA	84.367	1420-55300-801	166,959
<i>Passed through the Newport Area Career and Technical Center:</i>			
Vocational Education - Basic Grants to States:	84.048	3-1440-53200-21-02	13,433
<i>Total U.S. Department of Education</i>			<u>3,048,145</u>
<b><i>U.S. Department of Health and Human Services:</i></b>			
<i>Passed through the RI Department of Health &amp; Human Services:</i>			
<i>Substance Abuse and Mental Health Services Projects of Regional and National Significance:</i>			
Strategic Prevention Framework State Incentive Grant (SPF-SIG)	93.243	3033528	200,678
<b><i>U.S. Department of Homeland Security:</i></b>			
<i>Passed through the RI Emergency Management Agency:</i>			
State Homeland Security Program	97.073	19-43-FY07 PSIC	21,697
		19-96-FY07 PSIC	51,267
<i>Total U.S. Department of Homeland Security</i>			<u>72,964</u>
<i>Total expenditures of federal awards</i>			<u>\$ 4,172,680</u>

TOWN OF MIDDLETOWN, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Middletown, Rhode Island (the Town) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Aid-in-kind:

During the year ended June 30, 2009, the Town received aid-in-kind, in the form of miscellaneous food items, from the United States Department of Agriculture (USDA) passed through the State of Rhode Island Department of Education. The value of these items received by the Town's school lunch program totaled \$35,917.

3. Revolving loan programs:

The Town has the following loan receivable balance at June 30, 2009:

Program Title	Federal CFDA Number	Amount Outstanding
Community Development Block Grant, State Administered Small Cities Program - Revolving Loan	14.228	\$ 100,000

TOWN OF MIDDLETOWN, RHODE ISLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes <u>  x  </u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>  x  </u>	yes    _____	none reported
Noncompliance material to financial statements noted?	_____	yes <u>  x  </u>	no

**Federal Awards**

Internal control over major programs:			
Material weakness(es) identified?	_____	yes <u>  x  </u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes <u>  x  </u>	none reported

Type of auditors’ report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____	yes <u>  x  </u>	no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.041	Impact Aid PL 81-874

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Dollar threshold used to distinguish between Type A and Type B programs:	_____ \$300,000 _____
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Auditee qualified as low-risk auditee?	_____	Yes <u>  x  </u>	no
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TOWN OF MIDDLETOWN, RHODE ISLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009

**Section II – Financial Statement Findings**

No matters were reported.

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

No matters were reported.