



U.S. Department of Housing and Urban Development

Columbus Field Office
Office of Community Planning and Development
200 North High Street
Columbus, Ohio 43215

December 11, 2009

Ms. Judy Gilleland
City Manager
City Hall
One Donham Plaza
Middletown, OH 45042

Dear Ms. Gilleland:

SUBJECT: 2008 Consolidated Plan -- End-of-Year Community Assessment

Under the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, HUD is charged with making a formal determination at least once a year that each grant recipient is in compliance with the statutes and has the capacity to continue implementing and administering the programs for which grants have been provided. This letter reports the results of our evaluation of your 2008 Program Year.

The End-of-Year Assessment is based on our review of the Consolidated Annual Performance and Evaluation Report (CAPER) for the Community Development Block Grant (CDBG) Program. We also considered any audits performed on your programs and monitoring results.

OVERALL OBSERVATIONS

Our assessment included reviews of your consolidated planning process, management of grant funds, progress in carrying out your policies/program activities, compliance with program requirements, accuracy of performance reports, and accomplishments in meeting Departmental objectives.

Your community continues to perform in a timely manner, meeting program thresholds for CDBG obligations and expenditures, including program progress, planning/administration, and public service. In addition, benefits to low- and moderate-income (LMI) persons exceed HUD requirements.

CAPER REVIEW

As you know, a large part of our Annual End-of-Year Assessment consists of reviewing your CAPER, and we have detailed that review in this letter. Overall, as noted above, your community continues to perform in a timely manner, meeting program thresholds for CDBG obligations and expenditures. Progress is assessed by conducting two performance reviews; i.e., an Overall Progress Review and an Annual Progress Review.

The Overall Progress Review determines the number of years of funds that remain unspent as of the end of the Program Year. As of July 31, 2009, your unexpended balance was \$220,705. Based on the FY-2008 grant amount of \$670,051, this unexpended balance was equal to .33 years of funding. Therefore, your overall progress was within the acceptable standard of 1.5 years or less.

The Annual Progress Review examines expenditures in FY-2008 (\$916,561) as compared to the FY-2008 grant (\$670,051). This computation results in an expenditure level of over 100 percent. The acceptable rate for annual progress is 50 percent or more. Therefore, the city was in compliance with the annual progress standard.

A review of public service expenditures is necessary to ensure that the grantee is within the 15 percent statutory limit. Based on our review, the public service expenditures of \$36,324 (3 percent) were below the allowable cap of \$103,560. Therefore, the grantee was the 15 percent limit.

The CAPER indicates program income of \$781,203 as received during this reporting period. The anticipated program income was \$55,000. The difference of \$726,203 greatly surpasses the \$25,000 allowable difference. The city has provided an explanation, which is acceptable at this time.

The primary reason for reviewing the planning and administrative expenditures is to determine if the expenditures are within the 20 percent statutory limitation as mandated in 24 CFR 570.200(g). The planning and administrative expenditures of \$134,309 (19 percent) were within the 20 percent allowable cap of \$134,488.

This review also determines if you have met the requirement of using at least 70 percent of CDBG funds for activities benefiting LMI persons. The amount qualifying for activities benefiting LMI persons was \$873,064, which results in 87 percent of your overall expenditures (\$1,007,373) being utilized for LMI persons.

A review of eligibility and national objective compliance was also conducted by analyzing and comparing data on IDIS Report #C04PR03. It appears that the community is in compliance with applicable regulations regarding eligibility and national objectives.

CONCLUSION

Based on information currently available to us, we have determined that you have the capacity to continue implementing and administering your Consolidated Plan program activities in accordance with the applicable statutory requirements.

As a result of this analysis, we have determined that your overall 2008 progress is satisfactory and your 2008 CAPER is acceptable.

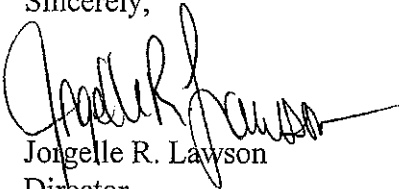
PUBLIC ACCESS

If you have any comments regarding this Year End Assessment, please submit them to this office within 30 days of the date of this letter. If necessary, we may revise our report after considering your views. This assessment must be made readily available to the public no later than 30 days after our

receipt of your comments. We encourage your dissemination of this report to interested persons. In particular, we request this report be provided to your independent auditor currently conducting an audit to meet requirements of the Single Audit Act, or at the commencement of the next audit if this year's is completed. HUD will also make this information available to the public upon request.

If you have any questions or require further information or assistance, please contact Ms. Trevia Thomas, Community Planning and Development Representative, of my staff, at (614) 469-5737, x8256.

Sincerely,



Jorgelle R. Lawson

Director

Office of Community

Planning and Development

cc:

Doug Adkins