



OHIO AUDITOR OF STATE
KEITH FABER



MIDDLETOWN MOVING FORWARD
BUTLER COUNTY

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INDEPENDENT AUDITOR'S REPORT

Middletown Moving Forward
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Middletown Moving Forward, Butler County, Ohio (the MMF), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the MMF's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the MMF's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the MMF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middletown Moving Forward, Butler County, Ohio, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, on our consideration of the MMF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 MMF's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 13, 2019

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2018
(Unaudited)

The discussion and analysis of the Middletown Moving Forward, Inc. (the "MMF") financial performance provides an overall review of the financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the MMF's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the MMF's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The MMF received \$45,880 from administrative fees, foundations, local companies and individuals for operations.
- The MMF received an additional investor loan contribution for the Hook Drive business area redevelopment.
- The MMF received \$53,124 between interest and principal payments on outstanding loans balances (Goetz interest, Torchlight and Hood Drive principal/interest).
- The MMF also received \$50,000 for the Goetz project from the City of Middletown as part of the project agreement.
- The MMF saw the total net position decrease by \$249,863 during the year.
- The MMF year-end unrestricted cash balance was \$100,288.

Using this Financial Report

This financial report contains the basic financial statements of the MMF, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the MMF reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity wide and the fund presentation information are the same.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2018
(Unaudited)

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Net position is reported in three broad categories (as applicable):

Net Position, Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets on which constraints are placed on assets by grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Position Investment in Capital Assets" or "Restricted Net Position."

Table 1 provides a summary of the MMF's net position for 2017 and 2018.

Table 1 – Net Position

	<u>2017</u>	<u>2018</u>
Assets:		
Current and other assets	\$705,159	\$681,925
Non current assets	<u>0</u>	<u>289,561</u>
Total Assets	<u>705,159</u>	<u>971,486</u>
Liabilities:		
Current Liabilities	59,520	76,149
Long Term Liabilities	<u>630,000</u>	<u>840,000</u>
Total Liabilities	<u>689,520</u>	<u>916,149</u>
Deferred Inflows of Resources	<u>0</u>	<u>289,561</u>
Net Position:		
Restricted	627,577	580,452
Unrestricted	<u>(611,938)</u>	<u>(814,676)</u>
Total Net Position	<u>\$15,639</u>	<u>(\$234,224)</u>

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2018
(Unaudited)

The MMF decreased the current and other assets and net position for fiscal year 2018 due to the project funding paid out for Torchlight Pass and Hook Drive. The MMF is reporting a non-current asset for the balances owed to the MMF for those project distributions. The current liabilities increased mainly because of the additional accrued interest on the outstanding project loans the MMF received in the prior year.

Table 2 provides a summary of the MMF's changes in net position for 2017 and 2018.

Table 2 - Changes in Net Position

	2017	2018
Operating Revenues:		
Local contributions	\$16,400	\$41,780
Administrative Fees	6,800	4,100
Miscellaneous	0	770
Total Operating Revenues	23,200	46,650
Operating Expenses:		
Accounting	1,890	1,472
Insurance	1,123	1,134
Professional Services	27,895	37,632
Other General Administration	1,357	1,746
Total Expenses	32,265	41,984
Operating Income (Loss)	(9,065)	4,666
Non-Operating Revenues (Expenses):		
Application Fees	1,000	0
Non-Operating Contributions for debt service	100,000	50,000
Project Funding Principal/Interest	1,749	53,124
Construction Project Funding	(150,000)	(332,125)
Interest and Fiscal Charges	(10,382)	(25,528)
Total Non-Operating Revenues (Expenses)	(57,633)	(254,529)
Change in Net Position	(66,698)	(249,863)
Net Position, Beginning of Year	82,337	15,639
Net Position, End of Year	\$15,639	(\$234,224)

Fiscal year 2018 saw the project activity increase with the additional investor loan contributions to the two projects the MMF was working on. The City of Middletown has an agreement to provide annual payments to the MMF to repay the investors on the Goetz project (non-operating contributions for debt service). In 2018, the development company for Goetz made no draws on the available funds for the construction project. The MMF worked with two other projects (Torchlight Pass and Hook Drive) to help fund the projects. Both projects are making quarterly principal and interest payment to the MMF. The Goetz project made quarterly interest payments.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2018
(Unaudited)

Capital Assets

The MMF had no capital assets at December 31, 2018.

Debt

In the prior year, the MMF entered into various loan agreements with investors as part of the Goetz Tower development project. Total draws of \$600,000 were received in prior years with \$50,000 paid down during fiscal year 2018. The MMF also received an additional \$80,000 for the Torchlight project in prior years. During 2018, the MMF received an additional \$260,000 from the Duke Energy loan amount to help fund the Hook Drive project. For more information, refer to Note 7 of the financial statements.

Contacting the MMF

This financial report is designed to provide a general overview of the finances of the MMF and to show the MMF's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Middletown Moving Forward, Inc., Rick Pearce – Treasurer, 1500 Central Avenue, Middletown, Ohio 45044, (513) 422-4551.

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Net Position
December 31, 2018

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 100,288
Restricted Cash and Cash Equivalents	580,452
Accounts Receivable	1,185
TOTAL CURRENT ASSETS	<u>681,925</u>

NON CURRENT ASSETS:

Loan Receivable - Torchlight	218,133
Loan Receivable - Hook Drive	71,428
NON CURRENT ASSETS:	<u>289,561</u>

TOTAL ASSETS	<u><u>971,486</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	2,737
Accrued Interest Payable	23,412
Loans Payable - Due in One Year	50,000
TOTAL CURRENT LIABILITIES:	<u>76,149</u>

LONG TERM LIABILITIES:

Loans Payable	840,000
TOTAL LIABILITIES	<u>916,149</u>

DEFERRED INFLOWS OF RESOURCES	<u>289,561</u>
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NET POSITION:

Restricted for Projects	580,452
Unrestricted Net Position	(814,676)
TOTAL NET POSITION	<u><u>\$ (234,224)</u></u>

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2018

OPERATING REVENUES:

Operating Contributions	\$	41,780
Administrative Fees		4,100
Miscellaneous		770
		46,650
Total Operating Revenues		46,650

OPERATING EXPENSES:

Accounting		1,472
Insurance		1,134
Professional Services		37,632
Other General Administration		1,746
		41,984
Total Operating Expenses		41,984
Operating Income		4,666

NONOPERATING REVENUES (EXPENSES):

Non-operating contributions for debt service		50,000
Goetz Funding Interest		5,105
Torchlight Funding Repayment and Interest		5,639
Hook Drive Funding Repayment and Interest		42,380
Construction Project Funding - Torchlight Pass		(72,125)
Construction Project Funding - Hook Drive		(260,000)
Interest and Fiscal Charges		(25,528)
		(254,529)
Total Nonoperating Revenues (Expenses)		(254,529)

CHANGE IN NET POSITION (249,863)

Net Position Beginning of Year		15,639
Net Position End of Year		\$ (234,224)

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:

Cash received from local foundations for operations	\$ 41,780
Cash received from project administrative fees	4,100
Cash payments for operating purposes	(42,017)
Other miscellaneous revenue	770
Net cash provided by operating activities	4,633

Cash Flows from Capital and Related Financing Activities:

Loan proceeds from Duke Energy	260,000
Interest received on project loan balances	11,457
Payments received on project loan balances	40,919
Intergovernmental contributions for debt service retirement	50,000
Project funding for Torchlight Pass and Hook Drive	(332,125)
Principal paid on loans payable	(50,000)
Interest and fiscal charges paid on all debt	(8,866)
Net cash used for capital and related financing activities	(28,615)

Net Decrease in Cash and Cash Equivalents (23,982)

Cash and cash equivalents at beginning of year	704,722
Cash and cash equivalents at end of year	\$ 680,740

Reconciliation of operating income to net cash provided by operating activities

Operating Income	4,666
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in Accounts Payable	(33)
Net cash provided by operating activities	\$ 4,633

See accompanying notes to the financial statements

**Middletown Moving Forward, Inc.
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2018**

NOTE 1 - Nature of Organization and Reporting Entity

The Middletown Moving Forward, Inc. ("MMF") is a non-profit organization incorporated in Ohio on November 15, 2005 by resolution 2005-122 from the City of Middletown, Ohio. It is not considered a component unit of the City of Middletown government. The MMF was established as a "community improvement corporation," as set forth in the Ohio Revised Code. The Board of Trustees shall consist of at least ten (10) and no more than seventeen (17) trustees, selected in accordance with Section 2.3 of this Code of Regulations. At least two-fifths but no more than half of the trustees shall be appointed or elected officers of the City of Middletown.

The Board of Trustees shall be selected as follows:

1. Mayor of the City of Middletown
2. The City Manager of the City of Middletown
3. One member of the Middletown City Council selected by City Council.
4. An appointed officer of the City of Middletown selected by the City Manager.
5. A Representative of The Chamber of Commerce Board
6. The President and CEO of The Chamber of Commerce
7. At least four (4) but not more than eleven (11) at-large trustees.
8. When the Board exceeds ten (10) trustees, the at-large trustees needed to meet the two-fifth requirement of appointed or elected officers of the City of Middletown shall be appointed by a committee consisting of the Mayor, the City Manager, and the City Council member serving on the Board. All remaining at-large trustees are elected by the Board of Trustees.

The MMF was incorporated to serve the City of Middletown by aiding in industrial, commercial, distribution and research development in the City. The MMF created a Plan of Industrial, Commercial, Distribution and Research Development for the City (the "Plan"). The Plan was to advance, promote and encourage the establishment and growth of industrial, commercial, distribution and research development of the City and facilities in that matter which:

- (a) Creates and preserves jobs and employment opportunities in the City and State of Ohio.
- (b) Improves the economic welfare of the people of the City and State of Ohio.
- (c) Encourages and causes the maintenance, location, relocation, expansion, modernization and equipment of sites, buildings, structures and appurtenant facilities for industrial, commercial, distribution and research facilities within the City and thereby preserves, maintains or creates additional opportunities for employment within the City.
- (d) Maintains and increases the tax valuation of property within the City in order that tax revenues may be available to provide services for the preservation of public peace, health, safety and general welfare of the City.
- (e) Is consistent with social, economic and geographic factors present in the City.
- (f) Is not inconsistent with job needs and skills present in the City.
- (g) Is not inconsistent with the environmental factors present in the City.
- (h) Is in accordance with it applicable planning and zoning.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The significant accounting policies followed in the preparation of these financial statements conform to general accepted accounting principals for local government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources as applied to governmental non-profit organizations. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the MMF is classified as unrestricted net position because it is not subject to imposed stipulations.

The MMF's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources associated with the operation are included on the statement of net position. The statement of revenues, expenses and change in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The MMF uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

The MMF distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses typically result from providing services and producing and delivering goods in connection with the MMF's principal ongoing operation. The additional future operating revenue of the MMF is contributions from different organizations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The MMF did have any nonoperating revenues and expenses in 2018 related to project development.

Cash Equivalents

During the calendar year 2018, the MMF's cash in a non-interest bearing account is considered to be cash equivalents.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The MMF is a not-for-profit tax exempt organization under the Internal Revenue Code Section 501(c)(3). Accordingly, there is no provision for income taxes in these financial statements. The MMF is required to file an annual form 990 *Return of Organization Exempt from Income Tax* with the Internal Revenue Service within five months of year-end. The 990 for fiscal year 2018 is due on or before May 15, 2019.

Loans Receivable

The MMF has promissory notes/loans receivable with both the Torchlight Pass LLC and the City of Middletown on two projects that were funded through loan proceeds the MMF received from various sources.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements.

NOTE 3 – Cash

At December 31, 2018, the carrying amount of the MMF's deposits was \$680,740. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2018, \$430,740 of MMF's cash balance was not subject to FDIC coverage.

NOTE 4 – Contributions

The MMF received \$41,780 in operating contributions from different companies and individuals during the fiscal year. The MMF also received \$50,000 from the City of Middletown as a non-operating contribution to retire loan obligations associated with investor proceeds to finance the Goetz Tower redevelopment.

NOTE 5 – Litigation

The MMF is involved in no material litigation as either plaintiff or defendant.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2018

NOTE 6 – Risk Management

The MMF is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The MMF contracted with the Hartford to provide Directors, Officers and Entity Liability insurance with a \$1,000,000 limit. The MMF has coverage of \$1,000,000 for Employment Practice Liability with a \$5,000 deductible.

NOTE 7 – Loans Receivable

During 2018, the MMF provided construction project funding to two projects in the area. The Torchlight Pass project includes renovations to a commercial project. The other project included financing a portion for the redevelopment of the Hook Drive business corridor.

	Balance 12/31/17	Increase	Decrease	Balance 12/31/18	Due within one year
Loans Receivable					
Torchlight Pass	\$0	\$74,548	\$3,152	\$71,396	\$6,032
Hook Drive Project	0	255,900	37,767	218,133	76,220
Total	\$0	\$330,448	\$40,919	\$289,529	\$82,252

NOTE 8 – Long Term Debt

Changes in long-term obligations during 2018 were as follows:

	Balance 12/31/17	Increase	Decrease	Balance 12/31/18	Due within one year
Goetz Project					
Duke Energy	\$200,000	\$0	\$0	\$200,000	\$0
Middletown Community Foundation	200,000	0	50,000	150,000	50,000
Middletown Area Development Enterprise	100,000	0	0	100,000	0
American Savings Bank	50,000	0	0	50,000	0
First Financial Bank	50,000	0	0	50,000	0
Subtotal Goetz Project	600,000	0	50,000	550,000	50,000
Torchlight Project					
Duke Energy	40,000	0	0	40,000	0
First Financial Bank	40,000	0	0	40,000	0
Subtotal Torchlight Project	80,000	0	0	80,000	0
Hook Drive Project					
Duke Energy	0	260,000	0	260,000	0
Total	\$680,000	\$260,000	\$50,000	\$890,000	\$50,000

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2018

NOTE 8 – Long Term Debt (Continued)

Goetz Tower Project Debt Obligations

On December 17, 2015, the MMF entered into a promissory note with Duke Energy for loan funding on the Goetz Tower Project. The agreement required the MMF to submit advance requests on the available funding of \$500,000. On December 9, 2016, the MMF requested \$200,000 which was received by year end. The loan obligation is not due until final maturity of December 17, 2030. The outstanding loan carries a 3.5% annual interest due payable at the final maturity.

The MMF received two contributions from the Middletown Community Foundation during 2017 at a 2% interest rate. One loan for \$150,000 requires a principal payment of \$50,000 in 2019 and 2020. The second loan requires the \$50,000 balance paid in January 2021. Interest is paid annually. During fiscal year 2018, the MMF did pay \$50,000 on the first loan of \$150,000 leaving a balance of \$100,000 on that loan.

The MMF received \$100,000 from the Middletown Area Development Enterprise. The loan carries an interest rate of 2% with \$50,000 principal payments in January 2025 and January 2026. Interest is paid annually.

The MMF received \$50,000 from American Savings Bank. The loan carries an interest rate of 3% with a \$50,000 principal payment in January 2024. Interest is paid semi-annually.

The MMF received \$50,000 from First Financial Bank. The agreement required the MMF to submit advance requests on the available funding of \$250,000. The loan carries an interest rate of 3.5% with the entire principal due in March 2031. Interest is paid annually.

Torchlight Project Debt Obligations

In December 2017, the MMF requested \$40,000 which was received by year end. The loan obligation is not due until final maturity of December 17, 2030. The outstanding loan carries a 3.5% annual interest due payable at the final maturity.

The MMF received \$40,000 from First Financial Bank in November 2017. The agreement required the MMF to submit advance requests on the available funding of \$250,000. The loan carries an interest rate of 3.5% with the entire principal due in March 2031. Interest is accrued and not paid until maturity.

Hook Drive Project Debt Obligations

On December 17, 2015, the MMF entered into a promissory note with Duke Energy for loan funding on the Hook Drive Project, amended for additional projects in 2018. The agreement required the MMF to submit advance requests on the available funding of \$500,000. The MMF received an additional draw of \$260,000 for use on the Hook Drive project. The loan obligation is not due until final maturity of December 17, 2030. The outstanding loan carries a 3.5% annual interest due payable at the final maturity.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2018

NOTE 8 – Long Term Debt (Continued)

Annual debt service requirements to maturity for the loans are as follows:

Years	All Debt Obligations		
	Principal	Interest	Total
2019	\$50,000	\$27,007	\$77,007
2020	50,000	26,007	76,007
2021	50,000	25,007	75,007
2022	0	24,007	24,007
2023	0	24,007	24,007
2024-2028	150,000	108,283	258,283
2029-2031	590,000	23,657	613,657
Totals	<u>\$890,000</u>	<u>\$257,972</u>	<u>\$1,147,972</u>

*Middletown Moving Forward, Inc.
Butler County, Ohio*

*Management's Discussion and Analysis
December 31, 2017
(Unaudited)*

The discussion and analysis of the Middletown Moving Forward, Inc. (the "MMF") financial performance provides an overall review of the financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the MMF's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the MMF's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The MMF received \$23,200 from administrative fees, foundations, local companies and individuals for operations.
- The MMF received four additional investor loan contributions on the Goetz Tower project of \$400,000.
- The MMF received two investor loan contributions on the Torchlight project of \$80,000.
- The MMF saw the total net position decrease by \$66,698 during the year.
- The MMF year-end unrestricted cash balance was \$72,294.

Using this Financial Report

This financial report contains the basic financial statements of the MMF, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the MMF reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity wide and the fund presentation information are the same.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2017
(Unaudited)

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Net position is reported in three broad categories (as applicable):

Net Position, Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets on which constraints are placed on assets by grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Position Investment in Capital Assets" or "Restricted Net Position."

Table 1 provides a summary of the MMF's net position for 2016 and 2017.

Table 1 – Net Position

	<u>2016</u>	<u>2017</u>
Assets:		
Current and other assets	<u>\$283,212</u>	<u>\$705,159</u>
Liabilities:		
Current Liabilities	875	59,520
Long Term Liabilities	<u>200,000</u>	<u>630,000</u>
Total Liabilities	<u>200,875</u>	<u>689,520</u>
Net Position:		
Restricted	200,000	627,577
Unrestricted	<u>(117,663)</u>	<u>(611,938)</u>
Total Net Position	<u>\$82,337</u>	<u>\$15,639</u>

The MMF increased the current and other assets and net position for fiscal year 2017 due to the project funding on the Goetz Tower project from additional investors. Those funds are restricted for the construction project and reported as loans payable. The MMF also saw an additional \$80,000 in loans for the Torchlight project.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2017
(Unaudited)

Table 2 provides a summary of the MMF's changes in net position for 2016 and 2017.

Table 2 - Changes in Net Position

	2016	2017
Operating Revenues:		
Local contributions	\$18,100	\$16,400
Administrative Fees	0	6,800
Total Operating Revenues	18,100	23,200
Operating Expenses:		
Accounting	765	1,890
Insurance	1,147	1,123
Professional Services	15,293	27,895
Other General Administration	449	1,357
Total Expenses	17,654	32,265
Operating Income (Loss)	446	(9,065)
Non-Operating Revenues (Expenses):		
Application Fees	0	1,000
Non-Operating Contributions for debt service	0	100,000
Goetz Funding Interest	0	1,749
Construction Project Funding – Goetz	0	(150,000)
Interest and Fiscal Charges	0	(10,382)
Total Non-Operating Revenues (Expenses)	0	(57,633)
Change in Net Position	446	(66,698)
Net Position, Beginning of Year	81,891	82,337
Net Position, End of Year	\$82,337	\$15,639

Fiscal year 2017 saw the project activity increase with the additional investor loan contributions to the two projects the MMF was working on. The City of Middletown has an agreement to provide annual payments to the MMF to repay the investors on the Goetz project (non-operating contributions for debt service). In 2017, the development company only made one draw on the available funds for the construction project.

Capital Assets

The MMF had no capital assets at December 31, 2017.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2017
(Unaudited)

Debt

The MMF entered into various loan agreements with investors as part of the Goetz Tower development project. Additional draws of \$400,000 was received by year end. The MMF also received an additional \$80,000 for the Torchlight project. For more information refer to Note 7 of the financial statements.

Contacting the MMF

This financial report is designed to provide a general overview of the finances of the Middletown Moving Forward, Inc. and to show the MMF's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Middletown Moving Forward, Inc., Rick Pearce – Treasurer, 1500 Central Avenue, Middletown, Ohio 45044, (513) 422-4551.

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Net Position
December 31, 2017

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 77,145
Restricted Cash and Cash Equivalents	627,577
Accounts Receivable	<u>437</u>

TOTAL ASSETS	<u><u>705,159</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	2,770
Accrued Interest Payable	6,750
Loans Payable - Due in One Year	<u>50,000</u>

TOTAL CURRENT LIABILITIES:	<u>59,520</u>
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LONG TERM LIABILITIES:

Loans Payable	<u>630,000</u>
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TOTAL LIABILITIES	<u>689,520</u>
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NET POSITION:

Restricted for Goetz Project Funding	627,577
Unrestricted Net Position	<u>(611,938)</u>

TOTAL NET POSITION	<u><u>\$ 15,639</u></u>
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See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2017

OPERATING REVENUES:

Operating Contributions	\$ 16,400	
Administrative Fees	6,800	
Total Operating Revenues		23,200

OPERATING EXPENSES:

Accounting	1,890	
Insurance	1,123	
Professional Services	27,895	
Other General Administration	1,357	
Total Operating Expenses		32,265
Operating Loss		(9,065)

NONOPERATING REVENUES (EXPENSES):

Application Fees	1,000	
Non-operating contributions for debt service	100,000	
Goetz Funding Interest	1,749	
Construction Project Funding - Goetz	(150,000)	
Interest and Fiscal Charges	(10,382)	
Total Nonoperating Revenues (Expenses)		(57,633)

CHANGE IN NET POSITION

Net Position Beginning of Year		82,337
Net Position End of Year	\$ 15,639	15,639

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities:

Cash received from local foundations for operations	\$ 16,400
Cash received from project administrative fees	6,800
Cash payments for operating purposes	<u>(30,370)</u>
Net cash used for operating activities	<u>(7,170)</u>

Cash Flows from Capital and Related Financing Activities:

Loan Proceeds	480,000
Interest received on loan balances	1,312
Application fees	1,000
Intergovernmental Contributions for debt service retirement	100,000
Project funding for Goetz Construction	(150,000)
Interest and Fiscal Charges Paid on All Debt	<u>(3,632)</u>
Net cash provided by capital and related financing activities	<u>428,680</u>

Net Increase in Cash and Cash Equivalents 421,510

Cash and cash equivalents at beginning of year	<u>283,212</u>
Cash and cash equivalents at end of year	<u><u>\$ 704,722</u></u>

Reconciliation of operating loss to net cash used for operating activities

Operating Loss	(9,065)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in Accounts Payable	<u>1,895</u>
Net cash used for operating activities	<u><u>\$ (7,170)</u></u>

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2017

NOTE 1 - Nature of Organization and Reporting Entity

The Middletown Moving Forward, Inc. ("MMF") is a non-profit organization incorporated in Ohio on November 15, 2005 by resolution 2005-122 from the City of Middletown, Ohio. It is not considered a component unit of the City of Middletown government. The MMF was established as a "community improvement corporation," as set forth in the Ohio Revised Code. The Board of Trustees shall consist of at least ten (10) and no more than seventeen (17) trustees, selected in accordance with Section 2.3 of this Code of Regulations. At least two-fifths but no more than half of the trustees shall be appointed or elected officers of the City of Middletown.

The Board of Trustees shall be selected as follows:

1. Mayor of the City of Middletown
2. The City Manager of the City of Middletown
3. One member of the Middletown City Council selected by City Council.
4. An appointed officer of the City of Middletown selected by the City Manager.
5. A Representative of The Chamber of Commerce Board
6. The President and CEO of The Chamber of Commerce
7. At least four (4) but not more than eleven (11) at-large trustees.
8. When the Board exceeds ten (10) trustees, the at-large trustees needed to meet the two-fifth requirement of appointed or elected officers of the City of Middletown shall be appointed by a committee consisting of the Mayor, the City Manager, and the City Council member serving on the Board. All remaining at-large trustees are elected by the Board of Trustees.

The MMF was incorporated to serve the City of Middletown by aiding in industrial, commercial, distribution and research development in the City. The MMF created a Plan of Industrial, Commercial, Distribution and Research Development for the City (the "Plan"). The Plan was to advance, promote and encourage the establishment and growth of industrial, commercial, distribution and research development of the City and facilities in that matter which:

- (a) Creates and preserves jobs and employment opportunities in the City and State of Ohio.
- (b) Improves the economic welfare of the people of the City and State of Ohio.
- (c) Encourages and causes the maintenance, location, relocation, expansion, modernization and equipment of sites, buildings, structures and appurtenant facilities for industrial, commercial, distribution and research facilities within the City and thereby preserves, maintains or creates additional opportunities for employment within the City.
- (d) Maintains and increases the tax valuation of property within the City in order that tax revenues may be available to provide services for the preservation of public peace, health, safety and general welfare of the City.
- (e) Is consistent with social, economic and geographic factors present in the City.
- (f) Is not inconsistent with job needs and skills present in the City.
- (g) Is not inconsistent with the environmental factors present in the City.
- (h) Is in accordance with it applicable planning and zoning.

**Middletown Moving Forward, Inc.
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2017**

NOTE 2 - Summary of Significant Accounting Policies

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The significant accounting policies followed in the preparation of these financial statements conform to general accepted accounting principals for local government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources as applied to governmental non-profit organizations. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the MMF is classified as unrestricted net position because it is not subject to imposed stipulations.

The MMF's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The statement of revenues, expenses and change in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The MMF uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

The MMF distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses typically result from providing services and producing and delivering goods in connection with the MMF's principal ongoing operation. The additional future operating revenue of the MMF is contributions from different organizations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The MMF did have any nonoperating revenues in 2017 related to project development.

Cash Equivalents

During the calendar year 2017, the MMF's cash in a non-interest bearing account is considered to be cash equivalents.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The MMF is a not-for-profit tax exempt organization under the Internal Revenue Code Section 501(c)(3). Accordingly, there is no provision for income taxes in these financial statements. The MMF is required to file an annual form 990 *Return of Organization Exempt from Income Tax* with the Internal Revenue Service within five months of end. The 990 for fiscal year 2017 is due on or before May 15, 2018.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements.

NOTE 3 – Cash

At December 31, 2017, the carrying amount of the MMF's deposits was \$704,722. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2017, \$454,722 of MMF's cash balance was not subject to FDIC coverage.

NOTE 4 – Contributions

The MMF received \$16,400 in operating contributions from different companies and individuals during the fiscal year. The MMF also received \$100,000 from the City of Middletown as a non-operating contribution to retire loan obligations associated with investor proceeds to finance the Goetz Tower redevelopment.

NOTE 5 – Litigation

The MMF is involved in no material litigation as either plaintiff or defendant.

NOTE 6 – Risk Management

The MMF is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The MMF contracted with the Hartford to provided Directors, Officers and Entity Liability insurance with a \$1,000,000 limit. The MMF has coverage of \$1,000,000 for Employment Practice Liability with a \$5,000 deductible.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2017

NOTE 7 – Long Term Debt

Changes in long-term obligations during 2017 were as follows:

	Balance 12/31/16	Increase	Decrease	Balance 12/31/17	Due within one year
Goetz Project					
Duke Energy	\$200,000	\$0	\$0	\$200,000	\$0
Middletown Community Foundation	0	200,000	0	200,000	50,000
Middletown Area Development Enterprise	0	100,000	0	100,000	0
American Savings Bank	0	50,000	0	50,000	0
First Financial Bank	0	50,000	0	50,000	0
Subtotal Goetz Project	<u>200,000</u>	<u>400,000</u>	<u>0</u>	<u>600,000</u>	<u>50,000</u>
Torchlight Project					
Duke Energy	0	40,000	0	40,000	0
First Financial Bank	0	40,000	0	40,000	0
Subtotal Torchlight Project	<u>0</u>	<u>80,000</u>	<u>0</u>	<u>80,000</u>	<u>0</u>
Total	<u>\$200,000</u>	<u>\$480,000</u>	<u>\$0</u>	<u>\$680,000</u>	<u>\$50,000</u>

Goetz Tower Project Debt Obligations

On December 17, 2015, the MMF entered into a promissory note with Duke Energy for loan funding on the Goetz Tower Project. The agreement required the MMF to submit advance requests on the available funding of \$500,000. On December 9, 2016, the MMF requested \$200,000 which was received by year end. The loan obligation is not due until final maturity of December 17, 2030. The outstanding loan carries a 3.5% annual interest due payable at the final maturity.

The MMF received two contributions from the Middletown Community Foundation during 2017 at a 2% interest rate. One loan for \$150,000 requires a principal payment of \$50,000 in 2018, 2019 and 2020. The second loan requires the \$50,000 balance paid in January 2021. Interest is paid annually.

In January 2017, the MMF received \$100,000 from the Middletown Area Development Enterprise. The loan carries an interest rate of 2% with \$50,000 principal payments in January 2025 and January 2026. Interest is paid annually.

In March 2017, the MMF received \$50,000 from American Savings Bank. The loan carries an interest rate of 3% with a \$50,000 principal payment in January 2024. Interest is paid semi-annually.

In September 2017, the MMF received \$50,000 from First Financial Bank. The agreement required the MMF to submit advance requests on the available funding of \$250,000. The loan carries an interest rate of 3.5% with the entire principal due in March 2031. Interest is accrued and not paid until maturity.

Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2017

NOTE 7 – Long Term Debt (Continued)

Torchlight Project Debt Obligations

In October 2017, the MMF requested \$40,000 which was received by year end. The loan obligation is not due until final maturity of December 17, 2030. The outstanding loan carries a 3.5% annual interest due payable at the final maturity.

The MMF received \$40,000 from First Financial Bank in November 2017. The agreement required the MMF to submit advance requests on the available funding of \$250,000. The loan carries an interest rate of 3.5% with the entire principal due in March 2031. Interest is accrued and not paid until maturity.

Annual debt service requirements to maturity for the loans are as follows:

Years	All Debt Obligations		
	Principal	Interest	Total
2018	\$50,000	\$19,050	\$69,050
2019	50,000	18,050	68,050
2020	50,000	17,050	67,050
2021	50,000	16,050	66,050
2022	0	15,050	15,050
2023-2027	150,000	67,000	217,000
2028-2031	330,000	26,250	356,250
Totals	<u>\$680,000</u>	<u>\$178,500</u>	<u>\$858,500</u>

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

Middletown Moving Forward
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the Board of Trustees:

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 Middletown Moving Forward, Butler County, (the MMF) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the MMF'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 MMF's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 MMF'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 MMF's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the MMF's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 13, 2019

MIDDLETOWN MOVING FORWARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Long-term debt not reported on Statement of Net Position	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



MIDDLETOWN MOVING FORWARD INC

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2019**