



Dave Yost • Auditor of State

MIDDLETOWN MOVING FORWARD
BUTLER COUNTY

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Dave Yost • Auditor of State

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 Corporation), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation'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 Corporation'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middletown Moving Forward, Butler County as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2016
(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, 2016. 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 2016 are as follows:

- The MMF received \$18,100 from foundations, local companies or individuals for operations.
- The MMF received the initial Goetz Tower project funding loan proceeds of \$200,000 during the year.
- The MMF increased the total net position by \$446 during the year.
- The MMF year-end unrestricted cash balance is \$83,212.

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, 2016
(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 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 2015 and 2016.

Table 1 – Net Position

	<u>2015</u>	<u>2016</u>
Assets:		
Current and other assets	<u>\$87,299</u>	<u>\$283,212</u>
Liabilities:		
Current Liabilities	5,408	875
Long Term Liabilities	0	200,000
Total Liabilities	<u>5,408</u>	<u>200,875</u>
Net Position:		
Restricted	0	200,000
Unrestricted	81,891	(117,663)
Total Net Position	<u>\$81,891</u>	<u>\$82,337</u>

The MMF increased the current and other assets and net position for fiscal year 2016 due to the initial project funding on the Goetz Tower project from Duke Energy. Those funds are restricted for the construction project.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Table 2 provides a summary of the MMF's changes in net position for 2015 and 2016.

Table 2 - Changes in Net Position

	<u>2015</u>	<u>2016</u>
Operating Revenues:		
Local contributions	<u>\$36,403</u>	<u>\$18,100</u>
Operating Expenses:		
Business Registration Fees	400	0
Accounting	922	765
Insurance	1,137	1,147
Professional Services	9,042	15,293
Other General Administration	622	449
Total Expenses	<u>12,123</u>	<u>17,654</u>
Change in Net Position	24,280	446
Net Position, Beginning of Year	<u>57,611</u>	<u>81,891</u>
Net Position, End of Year	<u>\$81,891</u>	<u>\$82,337</u>

Starting in 2014, the MMF was able to receive tax exempt contributions as a 501(c)(3) organization this resulted in a larger number of contributions received for 2015. Expenses for 2016 increased as the professional services needed increased beyond general operating support to project development.

Capital Assets

The MMF had no capital assets at December 31, 2016.

Debt

During 2016, the MMF entered into a loan agreement with Duke Energy as part of the Goetz Tower development project. The initial draw of \$200,000 was received by year end. 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.

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Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Net Position
December 31, 2016

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 83,212
Restricted Cash and Cash Equivalents	<u>200,000</u>

TOTAL ASSETS	<u><u>283,212</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	<u>875</u>
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LONG TERM LIABILITIES:

Loans Payable	<u>200,000</u>
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TOTAL LIABILITIES	<u>200,875</u>
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NET POSITION:

Restricted for Goetz Project Funding	200,000
Unrestricted Net Position	<u>(117,663)</u>

TOTAL NET POSITION	<u><u>\$ 82,337</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, 2016

OPERATING REVENUES:

Operating Contributions	<u>\$ 18,100</u>
Total Operating Revenues	<u>18,100</u>

OPERATING EXPENSES:

Accounting	765
Insurance	1,147
Professional Services	15,293
Other General Administration	<u>449</u>
Total Operating Expenses	<u>17,654</u>

CHANGE IN NET POSITION

	446
Net Position Beginning of Year	<u>81,891</u>
Net Position End of Year	<u><u>\$ 82,337</u></u>

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities:

Cash received from local foundations for operations	\$ 18,100
Cash payments for operating purposes	<u>(22,187)</u>
Net cash provided by operating activities	<u>(4,087)</u>

Cash Flows from Capital and Related Financing Activities:

Loan Proceeds	<u>200,000</u>
Net Increase in Cash and Cash Equivalents	195,913

Cash and cash equivalents at beginning of year	<u>87,299</u>
Cash and cash equivalents at end of year	<u><u>\$ 283,212</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating Income	446
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in Accounts Payable	<u>(4,533)</u>
Net cash provided by operating activities	<u><u>\$ (4,087)</u></u>

See accompanying notes to the financial statements

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Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2016

NOTE 1 - Nature of Organization and Reporting Entity

The Middletown Moving Forward, Inc. (“MMF” or “the Organization”) 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, State of Ohio. The Organization 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, 2016**

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 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 2016 related to project development.

Cash Equivalents

During the calendar year 2016, 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, 2016

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 2016 is due on or before May 15, 2017.

NOTE 3 – Cash

At December 31, 2016, the carrying amount of the MMF's deposits was \$282,212. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$33,212 of MMF's entire cash balance was not subject to FDIC coverage.

NOTE 4 – Contributions

The MMF received \$18,100 in operating contributions from the different companies and individuals during the fiscal year.

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 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 – Long Term Debt

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.

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

**Notes to the Basic Financial Statements
December 31, 2016**

NOTE 8 – Change in Accounting Principles

The MMF implemented the following GASB statements during fiscal year 2016:

- GASB Statement No. 76, ***The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***
- GASB Statement No. 77, ***Tax Abatement Disclosures***
- GASB Statement No. 78, ***Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***
- GASB Statement No. 79, ***Certain External Investment Pools and Pool Participants***
- GASB Statement No. 80, ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***

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

*Management's Discussion and Analysis
December 31, 2015
(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, 2015. 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 2015 are as follows:

- The MMF received \$36,403 from foundations, local companies or individuals for operations.
- The MMF increased the net position by \$24,280 during the year.
- The MMF year end cash balance is \$87,299.

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, 2015
(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 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 2014 and 2015.

Table 1 – Net Position

	<u>2014</u>	<u>2015</u>
Assets:		
Current and other assets	<u>\$59,286</u>	<u>\$87,299</u>
Liabilities:		
Current Liabilities	<u>1,675</u>	<u>5,408</u>
Net Position:		
Unrestricted	<u>57,611</u>	<u>81,891</u>
Total Net Position	<u>\$57,611</u>	<u>\$81,891</u>

The MMF increased the current and other assets and net position for fiscal year 2015 due to the operating contributions received from the various companies and individuals while keeping operating expenses low.

Middletown Moving Forward, Inc.
Butler County, Ohio

Management's Discussion and Analysis
December 31, 2015
(Unaudited)

Table 2 provides a summary of the MMF's changes in net position for 2014 and 2015.

Table 2 - Changes in Net Position

	<u>2014</u>	<u>2015</u>
Operating Revenues:		
Local contributions	<u>\$32,500</u>	<u>\$36,403</u>
Operating Expenses:		
Accounting	723	922
Insurance	1,137	1,137
Professional Services	15,335	9,042
Other General Administration	100	622
Total Expenses	<u>17,295</u>	<u>12,123</u>
Change in Net Position	15,205	24,280
Net Position, Beginning of Year	<u>42,406</u>	<u>57,611</u>
Net Position, End of Year	<u>\$57,611</u>	<u>\$81,891</u>

Starting in 2014, the MMF was able to receive tax exempt contributions as a 501(c)(3) organization this resulted in a larger number of contributions received for both years. Expenses for 2015 dropped as not as much professional services were needed for general operating support.

Capital Assets

The MMF had no capital assets at December 31, 2015.

Debt

The MMF had no debt at December 31, 2015.

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.

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Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Net Position
December 31, 2015

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 87,299
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TOTAL ASSETS	<u>87,299</u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	<u>5,408</u>
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TOTAL LIABILITIES	<u>5,408</u>
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NET POSITION:

Unrestricted Net Position	<u>81,891</u>
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TOTAL NET POSITION	<u>\$ 81,891</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, 2015

OPERATING REVENUES:

Operating Contributions	<u>\$ 36,403</u>
Total Operating Revenues	<u>36,403</u>

OPERATING EXPENSES:

Accounting	922
Insurance	1,137
Professional Services	9,042
Other General Administration	<u>622</u>
Total Operating Expenses	<u>12,123</u>

CHANGE IN NET POSITION 24,280

Net Position Beginning of Year	<u>57,611</u>
Net Position End of Year	<u><u>\$ 81,891</u></u>

See accompanying notes to the financial statements

Middletown Moving Forward, Inc.
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flows from operating activities:

Cash received from local foundations for operations	\$ 36,403
Cash payments for operating purposes	<u>(8,390)</u>
Net cash provided by operating activities	28,013
Cash and cash equivalents at beginning of year	<u>59,286</u>
Cash and cash equivalents at end of year	<u><u>\$ 87,299</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating Income	24,280
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in Accounts Payable	<u>3,733</u>
Net cash provided by operating activities	<u><u>\$ 28,013</u></u>

See accompanying notes to the financial statements

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Middletown Moving Forward, Inc.
Butler County Ohio

Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 - Nature of Organization and Reporting Entity

The Middletown Moving Forward, Inc. (“MMF” or “the Organization”) 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, State of Ohio. The Organization 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. The Chair of The Chamber of Commerce
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, 2015**

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 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 not have any nonoperating revenues or expenses in 2015.

Cash Equivalents

During the calendar year 2015, 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, 2015

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 2015 is due on or before May 15, 2016.

NOTE 3 – Cash

At December 31, 2015, the carrying amount of the MMF's deposits was \$87,299. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, the MMF's entire cash balance subject to FDIC coverage.

NOTE 4 – Contributions

The MMF received \$36,403 in contributions from the different companies and individuals during the fiscal year.

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 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 – Change in Accounting Principles

The MMF implemented the following GASB statements during fiscal year 2015:

- GASB 68 Accounting and Financial Reporting for Pension
- GASB 71 Pension Transition for Contributions made Subsequent to the Measurement Date
- GASB 72 Fair Value Measurement and Application
- GASB 73 Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

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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*

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 the Middletown Moving Forward, Butler County, (the Corporation) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 29, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation'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 Corporation'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 Corporation'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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*.

Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017

**MIDDLETOWN MOVING FORWARD
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Middletown Moving Forward (Corporation) entered into a loan agreement for \$500,000 with Duke Investments, LLC on December 17, 2015. In December of 2016, the Corporation drew down \$200,000 which was incorrectly reported by the Corporation in the 2016 financial statements as non-operating revenues rather than a long term liability. Based on the loan agreement, the Corporation should have reported the \$200,000 as a long-term liability on the Statement of Net Position, rather than non-operating revenues on the Statement of Revenues, Expenditures, and Changes in Net Position. In addition, the notes to the financial statements did not disclose the Corporation's loan funding agreement with Duke Investments, LLC.

The financial statements and footnotes were updated to reflect this correction.

Inaccurate reporting of long term debt restricts management's ability to plan for debt retirement. We recommend due care be exercised when posting entries to the financial records and annual financial report to prevent errors and to assist in accurately reflecting the Corporation's financial activity in the underlying accounting records and the annual financial statements. We also recommend that management adopt procedures to periodically review posting of activity recorded in the underlying accounting records and reported in the annual financial statements.

Officials' Response:

The MMF concurs that the project contribution from Duke will be paid back over time and should be reported as a liability on the financial statements.

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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
SEPTEMBER 12, 2017**