



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

MOUND DEVELOPMENT CORPORATION  
MONTGOMERY COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

Board of Trustees  
Mound Development Corporation  
965 Capstone Drive, Suite 480  
Miamisburg, Ohio 45342

We have reviewed the *Independent Auditor's Report* of the Mound Development Corporation, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mound Development Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 7, 2013

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**MOUND DEVELOPMENT CORPORATION  
MONTGOMERY COUNTY**

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FOR THE YEAR ENDED DECEMBER 31, 2012**

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Independent Auditor's Report

Mound Development Corporation  
Montgomery County  
965 Capstone Drive, Suite 480  
Miamisburg, OH 45342

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Mound Development Corporation, Montgomery County, Ohio (the Corporation), as of and for the year ended December 31, 2012 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 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 that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mound Development Corporation, Montgomery County, Ohio as of December 31, 2012, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, during 2012 the Mound Development Corporation adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

### **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, as 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.

#### *Supplementary and Other Information*

The accompanying Schedule of Federal Awards Expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of the '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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
June 18, 2013



**Mound Development Corporation  
(An Ohio Not-for-profit Corporation)  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
(Unaudited)**

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This management's discussion and analysis of the Mound Development Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Corporation's financial performance.

The historic completion of environmental cleanup at Mound was the catalyst for changing the name of the organization from Miamisburg Mound Community Improvement Corporation to Mound Development Corporation. The new name more clearly represents the marketing and economic development focus of the organization.

### **Financial Highlights**

The total assets of the Corporation were \$17,883,754 as of December 31, 2012 and the total liabilities were \$740,130 at fiscal year end. Net position of the Corporation totaled \$17,143,624, an increase of \$3,226,746 from the prior year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34.

### **Report Components**

The statement of net position and the statement of revenues, expenses and changes in net position provide information about the Corporation as a whole.

The management's discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Corporation did financially during the year ended December 31, 2012. The change in net position is important because it tells the reader whether the financial position of the Corporation has increased or decreased during the period. Over time, these increases and /or decrease are one indicator of whether the financial position is improving or deteriorating.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Corporation has elected to present its financial statements on an accrual basis of accounting. Under the Corporation's accrual basis of accounting, revenues and expenses are recorded when incurred rather than when cash is received or paid.

**Mound Development Corporation**  
**(An Ohio Not-for-profit Corporation)**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2012**  
**(Unaudited)**

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**Financial Analysis**

Table 1 provides a summary of the Corporation's net position for 2012:

**Table 1**  
**Net Position at Year End**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current assets	\$ 2,261,274	\$ 2,136,905
Noncurrent assets	15,622,480	12,373,858
<b>Total Assets</b>	<b>17,883,754</b>	<b>14,510,763</b>
<b>Liabilities</b>		
Current liabilities	740,130	593,885
<b>Total liabilities</b>	<b>740,130</b>	<b>593,885</b>
<b>Net position</b>		
Investment in capital assets	15,083,743	12,373,858
Restricted for grant programs	1,454,103	920,799
Unrestricted	605,778	622,221
<b>Total Net position</b>	<b>\$ 17,143,624</b>	<b>\$ 13,916,878</b>

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**Mound Development Corporation**  
**(An Ohio Not-for-profit Corporation)**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2012**  
**(Unaudited)**

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**Financial Analysis (continued)**

Table 2 provides a summary of the Corporation's change in net position for 2012:

**Table 2**  
**Change in Net Position**

	<b>2012</b>	<b>2011</b>
<b>Operating revenues</b>		
Grant revenue	\$ 4,380,757	\$ 1,039,826
Lease revenue	1,353,966	1,366,751
Equipment sales revenue	-	187
Other revenue	120,554	171,467
Total operating revenue	<u>5,855,277</u>	<u>2,578,231</u>
<b>Operating expenses</b>		
Salaries and benefits	496,671	507,284
General and administrative	172,984	174,013
Utilities	156,851	248,521
Consulting and professional	125,608	126,536
Repair and maintenance	659,764	659,778
Tenant receivable writeoff	60,591	-
Depreciation	1,609,016	1,637,229
Total operating expenses	<u>3,281,485</u>	<u>3,353,361</u>
Total operating income (loss)	2,573,792	(775,130)
<b>Non-operating revenues (expenses)</b>		
Mortgage issuance costs	(44,201)	-
Mortgage interest income	2,155	-
Total non-operating revenues (expenses)	<u>(42,046)</u>	<u>-</u>
Income before capital contributions	2,531,746	(775,130)
Capital contributions	695,000	-
Change in net position	3,226,746	(775,130)
<b>Net position, beginning of year</b>	<u><b>13,916,878</b></u>	<u><b>14,692,008</b></u>
<b>Net position, end of year</b>	<u><b>\$ 17,143,624</b></u>	<u><b>\$ 13,916,878</b></u>

**Mound Development Corporation  
(An Ohio Not-for-profit Corporation)  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
(Unaudited)**

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**Financial Analysis (continued)**

In 2012, property was transferred to the Corporation from the Department of Energy. The Corporation sold the property to BOI Solutions, Inc., an Ohio corporation, for \$695,000 with a down payment of \$139,000. The corporation is financing \$556,000 at 4.65% over 20 years.

In 2010, the Corporation acquired a Job Ready Sites / 629 Grant for \$3.5M from the State of Ohio, to assist in completing the roadway, utilities and parking. This roadway will connect the northern and southern entrances to the Mound campus. Design work was completed in 2011 and construction began in 2012. This project is anticipated to be complete in 2013.

**Capital Assets**

As of fiscal year end, the Corporation has \$15,083,743 invested in capital assets. This amount represents \$30,911,027 in capital assets at cost, offset by accumulated depreciation of \$15,827,284. Current additions and depreciation were \$5,013,901 and \$1,609,016, respectively.

**Debt**

As of fiscal year end, the Corporation has no outstanding debt.

**Contacting the Corporation's Financial Management**

The financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the funds it receives. If you have any questions about this report or need additional information, contact Karen Kenwell, Administrative Manager, at [kkenwell@mound.com](mailto:kkenwell@mound.com).

**Mound Development Corporation**  
**(an Ohio Not-for-profit Corporation)**  
**Statement of Net Position**  
**For the Year Ended December 31, 2012**

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<b>Assets</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 577,168
Prepaid expenses	91,044
Tenant receivable	287,596
Deposits	7,000
Grants receivable	1,282,611
Notes receivable	15,855
Total current assets	<u>2,261,274</u>
<i>Noncurrent Assets</i>	
Notes receivable	538,737
Nondepreciable capital assets	6,606,010
Net depreciable capital assets	8,477,733
Total noncurrent assets	<u>15,622,480</u>
<b>Total assets</b>	<b>17,883,754</b>
<b>Liabilities</b>	
<i>Current liabilities</i>	
Accounts payable	234,352
Accrued salaries and benefits	145,647
Accrued expenses	226,034
Retainage payable	131,862
Escrow payable	2,235
Total current liabilities	<u>740,130</u>
<b>Total liabilities</b>	<b>740,130</b>
<b>Net position</b>	
Investment in capital assets	15,083,743
Restricted for grant programs	1,454,103
Unrestricted	605,778
<b>Total net position</b>	<b><u><u>\$ 17,143,624</u></u></b>

The notes to the financial statements are an integral part of this statement.

**Mound Development Corporation**  
**(An Ohio Not-for-profit Corporation)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**

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<b>Operating revenues</b>	
Grant revenue	\$ 4,380,757
Lease revenue	1,353,966
Other revenue	120,554
Total operating revenue	<u>5,855,277</u>
<b>Operating expenses</b>	
Salaries and benefits	496,671
General and administrative	172,984
Utilities	156,851
Consulting and professional	125,608
Repair and maintenance	659,764
Tenant receivable writeoff	60,591
Depreciation	1,609,016
Total operating expenses	<u>3,281,485</u>
Total operating income (loss)	2,573,792
<b>Non-operating revenues (expenses)</b>	
Mortgage issuance costs	(44,201)
Mortgage interest income	2,155
Total non-operating revenues (expenses)	<u>(42,046)</u>
Income before capital contributions	2,531,746
Capital contributions	695,000
Change in net position	3,226,746
<b>Net position, beginning of year</b>	<u><b>13,916,878</b></u>
<b>Net position, end of year</b>	<u><b>\$ 17,143,624</b></u>

The notes to the financial statements are an integral part of this statement.

**Mound Development Corporation**  
**(an Ohio Not-for-profit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

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<b><u>Cash flows from operating activities</u></b>	
Cash received from federal grants	\$ 1,312,905
Cash received from state grants	2,431,030
Cash received from leases	1,380,564
Cash payments for goods and services	(1,269,184)
Cash payments for employee services	(362,125)
Cash payments for employee benefits	(129,142)
<b>Net cash provided by operating activities</b>	<b><u>3,364,048</u></b>
<b><u>Cash flows from capital and related activities</u></b>	
Cash received from repayment of mortgage note	3,563
Cash received from mortgage escrow payments	2,235
Cash received from the sale of capital assets	139,000
Cash payments for mortgage related costs	(44,201)
Cash payments for capital assets	(4,042,845)
<b>Net cash used by capital and related activities</b>	<b><u>(3,942,248)</u></b>
Net decrease in cash	<b><u>(578,200)</u></b>
Cash and cash equivalents at beginning of year	1,155,368
Cash and cash equivalents at end of year	<b><u>577,168</u></b>
<b>Operating income</b>	<b>2,573,792</b>
<b><u>Adjustments to reconcile operating income to net cash provided by operating activities</u></b>	
Depreciation	1,609,016
<b><u>Changes in assets and liabilities</u></b>	
(Increase)/decrease in prepaid expenses	(6,528)
(Increase)/decrease in tenant receivable	(99,502)
(Increase)/decrease in grants receivable	(636,822)
Increase/(decrease) in accounts payable	(77,621)
Increase/(decrease) in deposits	66,137
Increase/(decrease) in accrued salaries and benefits	5,404
Increase/(decrease) in accrued expenses	(69,828)
Total Adjustments	<b><u>(818,760)</u></b>
<b>Net cash provided by operating activities</b>	<b><u>\$ 3,364,048</u></b>

The notes to the financial statements are an integral part of this statement.

**Mound Development Corporation  
(an Ohio Not-for-profit Corporation)  
Notes to the Financial Statements  
For the Year Ended December 31, 2012**

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**1. Reporting Entity**

The Mound Development Corporation (the Corporation), a nonprofit corporation, was incorporated in April 1994. The purpose of the Corporation is to advance, encourage, and promote the industrial, economic, commercial, and civic development of the City of Miamisburg (the City) by acting as a designated agency of the City for industrial, commercial, distribution and research development within the City. The Corporation is a related organization of the City since the City appoints a voting majority of the Corporation's Board of Directors. The Corporation is a tax-exempt organization under Internal Revenue Code Section 501(c)(4).

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board and the Corporation is able to significantly influence the programs or services performed or provided by the organization; or the Corporation is legally entitled to or can otherwise access the organization's resources; or the Corporation is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Corporation is obligated for the debt of the organization. Component units may also include organizations for which the Corporation approves the budget, the issuance of debt, or the levying of taxes. Currently, the Corporation does not have any component units.

**2. Summary of Significant Accounting Policies**

**A. Measurement Focus and Basis of Accounting**

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Corporation's accounting policies are described below.

The Corporation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are grants and lease revenue. Operating expenses include salaries and benefits, repairs and maintenance of facilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, and then unrestricted resources as they are needed.



**2. Summary of Significant Accounting Policies (Continued)**

**B. Cash and Cash Equivalents**

Investments with original maturities of three months or less at the time they are purchased by the Corporation are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. As of December 31, 2012 the Corporation had no investments.

**C. Property and Equipment**

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair value at the date of donation. The Corporation's informal policy includes a capitalization threshold of one thousand dollars. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Roadways	27 years
Buildings	20 years
Heating, Ventilating, and Air-conditioning	15 years
Site Improvements	10 years
Tenant Improvements	5 years
Equipment held for sale or lease	5-10 years
Office Furniture	5 years
Office Equipment	3 years

Costs for repairs and maintenance are charged to expense as incurred. Gains and losses on disposals and retirements of capital assets are recognized as they occur. In the event the Corporation would borrow funds to finance construction of capital assets, interest costs would be capitalized accordingly. Capital additions, received through the Corporation's affiliation with the Department of Energy, are designated to further the Corporation's purpose.

**D. Grant Revenue Recognition**

In accordance with GASB Statement No. 33, Accounting and Reporting for Nonexchange Transactions, the Corporation's Grant from the U.S. Department of Energy are considered a voluntary nonexchange transaction. As such, receivables and revenues are recognized when all eligibility requirements have been met. Resources received before eligibility requirements are satisfied are recorded as unearned revenue.

**E. Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Mound Development Corporation**  
**(an Ohio Not-for-profit Corporation)**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2012**

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**2. Summary of Significant Accounting Policies (Continued)**

**F. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Deposits and Investments**

The carrying amount of the Corporation's deposits was \$577,168 and the bank balance was \$610,118 as of December 31, 2012. As of December 31, 2012, deposits in excess of federally insured limits were \$360,118.

The Corporation requires collateral for demand deposits and certificate of deposits at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**4. Property and Equipment**

A summary of property and equipment at December 31, 2012 is as follows:

	<b>Beginning Balance</b>	<b>Acquisitions</b>	<b>Deductions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Non-depreciable assets:					
Land	\$ 2,370,000	\$ -	\$ -	\$ -	\$ 2,370,000
Construction-in-process	324,479	4,142,019	-	(230,488)	4,236,010
Depreciable assets:					
Buildings and improvements	3,495,390	734,007	(695,000)	-	3,534,397
Leasehold improvements	7,599,511	130,748	-	230,488	7,960,747
Office furniture and equipment	108,716	7,127	-	-	115,843
Equipment held for sale or lease	6,525	-	-	-	6,525
Site improvements held for donation	5,313,939	-	-	-	5,313,939
Infrastructure	7,373,566	-	-	-	7,373,566
Subtotal	<u>26,592,126</u>	<u>5,013,901</u>	<u>(695,000)</u>	<u>-</u>	<u>30,911,027</u>
Less: accumulated depreciation	<u>(14,218,268)</u>	<u>(1,609,016)</u>	<u>-</u>	<u>-</u>	<u>(15,827,284)</u>
Total property and equipment - net	<u>\$ 12,373,858</u>	<u>\$ 3,404,885</u>	<u>\$ (695,000)</u>	<u>\$ -</u>	<u>\$ 15,083,743</u>

**Mound Development Corporation**  
**(an Ohio Not-for-profit Corporation)**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2012**

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**5. Grant Revenue**

Grant revenues for the year ended December 31, 2012 is as follows:

U.S. Department of Energy - Facilities Transition	\$ 893,674
U.S. Department of Energy – Energy Initiative	145,061
Excelitas	146,000
State of Ohio – Making Efficiency Work	33,586
State of Ohio – Roadwork Development	2,096,041
State of Ohio – Job Ready Sites	1,066,395
	<u>\$ 4,380,757</u>

**6. Leases and Subleases**

The Corporation leases the Miamisburg Mound Facility, including real and personal property, from the Department of Energy. The lease is for a term of five years (through September, 2014). The lease requires lease payments of \$1 per building per year.

The Corporation is permitted to sublease the property for the sole purpose of supporting economic development. Any sublease rental income received by the Corporation must be reinvested into economic development endeavors of the Corporation. Future minimum rentals under non-cancelable subleases for the next five years are as follows:

2013	\$ 900,315
2014	915,748
2015	804,281
2016	827,910
2017	<u>852,247</u>
TOTAL	<u>\$ 4,300,501</u>

Rental incomes for the year ended December 31, 2012 was \$1,051,379.

The Corporation sells and leases certain machinery and equipment to outside parties under non-cancelable operating leases. The cost of the machinery is included in equipment held for sale or lease.

**7. Notes Receivable**

In 2012, property was transferred to the Corporation from the Department of Energy. The Corporation sold the property to BOI Solutions, Inc., an Ohio corporation, for \$695,000 with a down payment of \$139,000. The corporation is financing \$556,000 at 4.65% over 20 years.

In consideration of the repayment of the note, monthly payments of \$3,563 began December 2012 and continue each month until December 2032. BOI made one payment during 2012. At December 31, 2012, the balance of the note was \$554,592.

## **8. Defined Benefit Pension Plan**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2012 member contribution rates were 10.0% for members in state and local classifications. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The Corporation contributions, representing 100% of employer contributions for the periods ended December 31, 2012, 2011 and 2010 were \$16,054, \$16,054, and \$16,049, respectively. 100 percent has been contributed for each year.

## **9. Postemployment Benefits**

**Plan Description.** Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

## **9. Postemployment Benefits (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy.** The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Corporation's contributions to OPERS for post-employment benefits for the years ending December 31, 2012, 2011, and 2010 were \$4,587, \$4,587, and \$5,820, respectively. The full amount has been contributed for 2011 and 2010. 100 percent has been contributed for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

## **10. Risk Management**

The Corporation 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 Corporation manages these risks through the purchase of commercial insurance. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**Mound Development Corporation  
(an Ohio Not-for-profit Corporation)  
Notes to the Financial Statements  
For the Year Ended December 31, 2012**

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**11. Contingent Liabilities**

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Corporation expects such amounts, if any, not to have a material impact.

**12. Change in Accounting Principles**

For 2012, Mound Development Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989, FASB and AICPA Pronouncements and No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows and resources and deferred inflows of resources and their effects on Mound Development Corporation's net position. The implementation of GASB Statement No. 63 has changed the presentation of the Corporation's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**Mound Development Corporation**  
**(an Ohio Not-for-profit Corporation)**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

<b>Federal Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Disbursements</b>
<b>U.S. Department of Energy</b>			
<i>Direct Program</i>			
Long-Term Surveillance and Maintenance	81.136	DE-FG01-08LM00121	\$ 893,674
		DE-LM0000251	<u>145,061</u>
Total Long-Term Surveillance and Maintenance			<u>1,038,735</u>
<i>Passed through Ohio Department of Development</i>			
ARRA - State Energy Program			
	81.041	ARRA-SEP-11-02	\$ 33,586
Total ARRA - State Energy Program			<u>33,586</u>
Total U.S. Department of Energy			<u>1,072,321</u>
Total Federal Financial Assistance			<u>\$ 1,072,321</u>

The accompanying notes are an integral part of this schedule.

**Mound Development Corporation**  
**(An Ohio Not-for-profit Corporation)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

**Note A – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Corporation's federal awards programs. Except for presenting capital acquisitions as expenditures, the accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting in accordance with the format set forth in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. The total of federal expenditures for capital acquisitions during 2012 was \$861,638.





# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Mound Development Corporation  
Montgomery County  
965 Capstone Drive, Suite 480  
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mound Development Corporation, Montgomery County, (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 18, 2013, wherein we noted the Corporation implemented Governmental Accounting Standards Board Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### 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. 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 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*.

### **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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
June 18, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## **Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

Mound Development Corporation  
Montgomery County  
965 Capstone Drive, Suite 480  
Miamisburg, Ohio 45342

To the Board of Directors

### **Report on Compliance for Each Major Federal Program**

We have audited the Mound Development Corporation's (the Corporation) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Mound Development Corporation's major federal program for the year ended December 31, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Corporation's major federal program.

#### **Management's Responsibility**

The Corporation's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

#### **Auditor's Responsibility**

Our responsibility is to opine on the Corporation's compliance for each of the Corporation's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on the Major Federal Program**

In our opinion, the Mound Development Corporation complied, in all material respects with compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2012-001. These findings did not require us to modify our compliance opinion on the major federal program.

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

### **Report on Internal Control Over Compliance**

The Corporation's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Corporation's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
June 18, 2013

**Mound Development Corporation  
Montgomery County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
December 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Long-Term Surveillance and Maintenance; CFDA # 81.136
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Mound Development Corporation  
Montgomery County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
December 31, 2012**

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

None noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Long-Term Surveillance and Maintenance; CFDA # 81.136
<b>Federal Award Year</b>	2012
<b>Federal Agency</b>	United States Department of Energy
<b>Pass-Through Entity</b>	N/A – Direct Award

**Material Weakness/Noncompliance**

OMB Circular A-133 Section 200 (b) state that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with Section 500 except when they elect to have a program specific audit conducted in accordance with paragraph (c) of this section.

OMB Circular A-133 Section 320 (a) state that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The Corporation filed its December 31, 2011 data collection form and reporting package with the federal audit clearinghouse on October 1, 2012.

We recommend the Corporation submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

**Mound Development Corporation  
Montgomery County, Ohio**

**Corrective Action Plan  
OMB Circular A-133 §315(c)  
December 31, 2012**

**Corrective Action Plan for Finding 2012-001**

**Finding Control Number: 2012-001**

**Summary of Findings:** The Corporation did not file their 2011 data collection form within nine months from the end of the 2011 fiscal year.

**Statement of Concurrence:** The Corporation is aware of finding 2012-001 and agrees that the finding as stated is correct.

**Corrective Action:** The Corporation relies on the audit firm to take the lead on the filing of the data collection form and package. September 30, 2012 was on a Sunday. Our audit firm sent the form to us on Monday 10/1/2012. It was filed by the Corporation on the same day. An electronic reminder is now in place to notify the Corporation of the filing date deadline.

**Contact Persons:** The officials responsible for completing the corrective action is listed below:

Karen Kenwell  
Administrative Manager  
Phone: (937) 865-4033  
Email: kkenwell@mound.com

**Mound Development Corporation  
Montgomery County**

**Schedule of Prior Audit Findings  
OMB Circular A-133 § .315 (b)  
For the Fiscal Year Ended December 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Material Weakness – Internal Controls over SFAE	Yes	





# Dave Yost • Auditor of State

**MOUND DEVELOPMENT CORPORATION**

**MONTGOMERY 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  
AUGUST 20, 2013**