MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER

MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY
DECEMBER 31, 2020

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Mound Development Corporation
Montgomery County
965 Capstone Drive, Suite 252
Miamisburg, Ohio 45342

To the Board of Directors:

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, 2020, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mound Development Corporation, as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding 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*, 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 October 14, 2021, 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 14, 2021

Mound Development Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

This management's discussion and analysis of the Mound Development Corporation (the Corporation), formerly the Miamisburg Mound Community Improvement Corporation's, financial performance provides an overall review of the Corporation's financial activities for the fiscal year ended December 31, 2020. 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 financial statements and the financial statements themselves to enhance their understanding of the Corporation's financial performance.

Financial Highlights

The assets and deferred outflows of resources of the Corporation exceeded its liabilities at the close of the most recent fiscal year by $12.7 million (net position). Of this amount, $6.4 million represents unrestricted net position, which can be used to meet the Corporation's ongoing obligations.

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, 2020. 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 decreases 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.

Financial Analysis

Table 1 provides a summary of the Corporation's net position for 2020:

Table 1
Net Position at Year End

	2020	2019
Assets		
Current assets	$ 4,451,659	$ 5,377,836
Noncurrent assets	14,302,045	8,163,441
Total Assets	**18,753,704**	**13,541,277**
Deferred Outflows of Resources	**314,898**	**-**
Liabilities		
Current liabilities	847,785	721,743
Noncurrent liabilities	5,566,897	-
Total liabilities	**6,414,682**	**721,743**
Net position		
Investment in capital assets	6,244,686	7,620,602
Unrestricted	6,409,234	5,198,932
Total Net position	**$ 12,653,920**	**$ 12,819,534**

Current assets decreased in comparison with the prior year. This decrease is primarily the result a construction project that began in 2019 and finished in 2020 that required the use of the Corporation's cash resources.

The significant increases in noncurrent assets and noncurrent liabilities are primarily the result of a $4.5 million note issued in 2020 to finance the aforementioned construction project and subsequent capital lease agreement with one of the Corporation's tenants for the newly constructed building.

Financial Analysis (continued)

Table 2 provides a summary of the Corporation's change in net position for 2020:

Table 2
Change in Net Position

	2020	2019
Operating revenues		
Lease revenue	$ 1,019,186	$ 986,721
Other revenue	5,696	2,629
Total operating revenue	1,024,882	989,350
Operating expenses		
Salaries and benefits	245,182	307,617
General and administrative	23,521	51,402
Utilities	143,704	146,908
Consulting and professional	238,749	421,145
Repair and maintenance	351,450	430,727
Real estate taxes	104,067	48,513
General liability insurance	48,968	45,942
Depreciation	336,730	411,900
Total operating expenses	1,492,371	1,864,154
Total operating loss	(467,489)	(874,804)
Non-operating revenues (expenses)		
Gain on sale of assets	-	440,006
Capital grant	175,000	-
Interest expense	(7,875)	-
Investment expense	(7,589)	(17,947)
Lease interest income	44,238	-
Investment income	98,101	174,380
Total non-operating revenues (expenses)	301,875	596,439
Change in net position	(165,614)	(278,365)
Net position, beginning of year	**12,819,534**	**13,097,899**
Net position, end of year	**$ 12,653,920**	**$ 12,819,534**

Financial Analysis (continued)

Salaries and benefits expenses decreased in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in employee staffing from two full-time employees to one.

Consulting and professional expenses decreased in 2020 mainly due to decreases in commissions paid related to the inception of new lease agreements.

Repairs and maintenance expenses decreased in comparison with the prior fiscal year. This decrease is primarily the result of 2019 being a very unusual year for major repairs in the 965 Capstone office building (referred to as COS building) for elevator, HVAC, and roofing repairs and related maintenance labor costs associated with making those repairs.

Gain on Sale of Assets decreased significantly in comparison with the prior fiscal year. This decrease is the result of a building sales in fiscal year 2019 and no building sales in 2020.

Capital grant revenue increased in comparison with the prior fiscal year. This increase is the result of a grant obtained from Montgomery County in 2020 related to the new construction project.

Lease interest income increased in 2020. This increase is the result of a new capital lease agreement that started in 2020.

Investment income decreased significantly due to a decrease in amounts invested as a result of the Corporation's construction project.

Capital Assets

As of fiscal year-end, the Corporation has $6.2 million invested in capital assets, a decrease of $1.4 million in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation and disposals exceeded acquisitions. See Note 4 for more information.

Debt

As of fiscal year-end, the Corporation has $4.5 million in notes payable outstanding, an increase of $4.5 million in comparison with the prior fiscal year-end. This increase represents a $4.5 million note issued in 2020 to finance the Corporation's construction project.

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 Albert Leland, Chairperson, at awleland@mound.com.

Mound Development Corporation
Statement of Net Position
As of December 31, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 3,316,449
Tenant receivable	26,948
Prepaid expenses	6,849
Deposits	221,657
Lease receivable	853,888
Note receivable	25,868
Total current assets	4,451,659
Noncurrent Assets	
Lease receivable	7,542,674
Note receivable	514,685
Nondepreciable capital assets	2,254,391
Depreciable capital assets, net	3,990,295
Total noncurrent assets	14,302,045
Total assets	**18,753,704**
Deferred Outflow of Resources	
Accumulated decrease in fair value of hedging derivative	314,898
Total deferred outflows of resources	**314,898**
Liabilities	
Current liabilities	
Accounts payable	32,783
Accrued salaries and benefits	13,029
Accrued expenses	139,855
Unearned revenue	29,281
Security deposit payable	8,717
Unearned lease revenue	251,541
Note payable	372,579
Total current liabilities	847,785
Noncurrent liabilities	
Unearned lease Revenue	1,124,578
Swap fair value	314,898
Note payable	4,127,421
Total noncurrent liabilities	5,566,897
Total liabilities	**6,414,682**
Net position	
Investment in capital assets	6,244,686
Unrestricted	6,409,234
Total net position	**$ 12,653,920**

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

Mound Development Corporation

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2020

Operating revenues	
Lease revenue	$ 1,019,186
Other revenue	5,696
Total operating revenue	1,024,882
Operating expenses	
Salaries and benefits	245,182
General and administrative	23,521
Utilities	143,704
Consulting and professional	238,749
Repair and maintenance	351,450
Real estate taxes	104,067
General liability insurance	48,968
Depreciation	336,730
Total operating expenses	1,492,371
Total operating loss	(467,489)
Non-operating revenues (expenses)	
Capital grant revenue	175,000
Interest expense	(7,875)
Investment expense	(7,589)
Lease interest revenue	44,238
Investment income	98,101
Total non-operating revenues (expenses)	301,875
Change in net position	(165,614)
Net position, beginning of year	**12,819,534**
Net position, end of year	**$ 12,653,920**

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

Mound Development Corporation

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash flows from operating activities	
Cash received from leases	$ 1,030,310
Cash received from other operating revenue	5,696
Cash payments for goods and services	(836,138)
Cash payments for employee services and benefits	(259,598)
Cash payments for deposits	(172,996)
Net cash used for operating activities	**(232,726)**
Cash flows from capital and related financing activities	
Cash received from construction loan	4,500,000
Cash received from lease principal payments	98,229
Cash received from capital grant	175,000
Cash received from lease interest payments	44,086
Cash payments for capital assets	(6,656,348)
Net cash used for capital and related financing activities	**(1,839,033)**
Cash flows from investing activities	
Investment sales	3,010,898
Investment expense	(7,589)
Interest income	64,365
Principal received from note receivable	28,868
Interest received from note receivable	34,912
Net cash provided by investing activities	**3,131,454**
Net increase in cash	1,059,695
Cash and cash equivalents at beginning of year	2,256,754
Cash and cash equivalents at end of year	$ 3,316,449

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

Mound Development Corporation
Statement of Cash Flows
For the Year Ended December 31, 2020

Operating loss	$	(467,489)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation		336,730
Changes in assets and liabilities		
Decrease in prepaid expenses		4,088
Increase in tenant receivable		(6,994)
Increase in deposits		(172,996)
Increase in accounts payable		9,630
Increase in unearned revenue		18,118
Decrease in accrued salaries and benefits		(14,416)
Increase in accrued expenses		60,603
Total Adjustments		(101,967)
Net cash used for operating activities	**$**	**(232,726)**

Schedule of non-cash transactions:

During the year, the Corporation executed a capital lease agreement with a tenant for a building that was constructed on behalf of the tenant.

Accounts payable related to the acquisition of capital assets was $577,013 as of December 31, 2019.

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

1. Reporting Entity

The Mound Development Corporation (the Corporation), formerly the Miamisburg Mound Community Improvement 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 lease revenues. 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.

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.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Corporation measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

C. Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their acquisition value at the date of donation. The Corporation's 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
New Roofs	15 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. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities. 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.

2. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Actual results could differ from those estimates and assumptions.

3. Deposits and Investments

The carrying amount of the Corporation's deposits was $3,155,947 and the bank balance was $3,158,174. As of December 31, 2020, deposits in excess of federally insured limits were $2,764,450. In addition to the bank balance, the Corporation had petty cash at year-end totaling $250.

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.

The Corporation's only investment at year-end was STAR Ohio in the amount of $160,252. In accordance with GASB Statement No. 79, the Corporation's investment in STAR Ohio is reported at amortized cost, which approximates fair value. For the calendar year ended December 31, 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Other than STAR Ohio, the Corporation had no other investments.

Interest Rate Risk: The Corporation does not have a formal policy to address interest rate risk.

Credit Risk: The Corporation does not a formal policy to address credit risk.

Concentration Risk: The Corporation's investments are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. The Corporation does not have a formal investment policy to address concentration risk.

4. Property and Equipment

A summary of property and equipment at December 31, 2020 is as follows:

	Beginning Balance	Acquisitions	Disposals	Ending Balance
Non-depreciable assets:				
Land	$ 2,249,270	$ -	$ -	$ 2,249,270
Construction in progress	1,049,212	6,069,308	(7,118,520)	-
Equipment held for sale or lease	5,121	-	-	5,121
Total Non-depreciable assets	3,303,603	6,069,308	(7,118,520)	2,254,391
Depreciable assets:				
Buildings and improvements	5,683,783	-	-	5,683,783
Leasehold improvements	3,766,500	-	-	3,766,500
Office furniture and equipment	86,190	10,026	-	96,216
Site improvements held for donation	3,424,951	-	-	3,424,951
Infrastructure	5,915,096	-	-	5,915,096
Total depreciable assets	18,876,520	10,026	-	18,886,546
Less: accumulated depreciation				
Buildings and improvements	(4,642,093)	(123,421)	-	(4,765,514)
Leasehold improvements	(3,489,137)	(38,452)	-	(3,527,589)
Office furniture and equipment	(81,927)	(2,255)	-	(84,182)
Site improvements held for donation	(1,020,515)	(127,164)	-	(1,147,679)
Infrastructure	(5,325,849)	(45,438)	-	(5,371,287)
Total accumulated depreciation	(14,559,521)	(336,730)	-	(14,896,251)
Total depreciable assets - net	4,316,999	(326,704)	-	3,990,295
Total property and equipment - net	$ 7,620,602	$ 5,742,604	$ (7,118,520)	$ 6,244,686

5. Leases

A. Operating Leases

On November 7, 2019 the final transfer of property from the U. S. Department of Energy to Mound Development Corporation was completed. Up until that date, the Corporation leased the Miamisburg Mound Facility, including real and personal property, from the Department of Energy. The lease required lease payments of $1 per building per year and was on a month-to-month basis terminable on 30 days notice.

5. Leases (Continued)

The buildings acquired from the U.S. Department of Energy are reported under buildings and improvements in Note 4 and the net carrying value of the building and improvements as of December 31, 2020 was $918,269. The Corporation is permitted to lease the property for the sole purpose of supporting economic development. Any lease rental income received by the Corporation must be reinvested into economic development endeavors of the Corporation. Rental income for the year ended December 31, 2020 was $1,019,186. Future minimum rentals under non-cancelable leases for the next five years are as follows:

2021	$ 742,554
2022	648,493
2023	515,933
2024	347,961
2025	336,858
Total	$2,591,799

The Corporation also 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.

B. Capital Lease

On July 1, 2019, the Corporation executed an amended lease agreement with Excelitas Technologies Corporation (tenant) and agreed to contract for, and manage the construction of, an expansion to Building 87 consisting of approximately 38,069 square feet. The amended lease agreement extended the current Building 87 lease agreement from its current expiration date of September 30, 2019 through the date of substantial completion of the expansion of Building 87 at the current base rent.

Upon the substantial completion of the Building 87 expansion, the term of the Building 87 lease was extended by 10 years and base rent (not including the expansion) for the extended term is $336,857 each year, and base rent of the expansion is $22.43 per square feet. At the expiration of the extended term, the tenant shall have the option to purchase Building 87 for seventy-five thousand dollars pursuant to a separate real estate purchase agreement. To exercise this option, the tenant must provide the Corporation written notice during the first twelve months of the extended term.

The total cost of Building 87 expansion was $7,118,520 and total minimum lease payments to be received over the 10 year extended period is $8,538,877. The difference represents unearned interest revenue that will be amortized as lease interest revenue over the 10 year extended period. Future minimum lease payments for be received for each of the next five years are as follows:

2021	$ 853,888
2022	853,888
2023	853,888
2024	853,888
2025	853,888
2026-2030	4,127,122
Total	$8,396,562

6. Note Payable

Changes in the Corporation's note payable during the year were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Direct Borrowing:					
Mortgage Note	$ -	$ 4,500,000	$ -	$ 4,500,000	$ 372,579

On November 25, 2019, the Corporation secured bank financing in the amount of a $4.5 million Open-End Construction Mortgage related to the Building 87 expansion construction project. The note bears interest at a variable interest rate equal to the 1-month LIBOR Rate, plus 2.25%. Interest is due and payable monthly on any outstanding loan balance. The note matures on December 10, 2030.

Interest Rate Swap

Objective: The Corporation has entered into an interest rate swap agreement with the lender as a means of hedging the interest rate risk of its variable rate note. The swap serves as a hedging tool, which allows the Corporation to reduce its exposure to changes in variable interest rates and effectively changes the Corporation's interest rate on the note to a synthetic fixed rate. Under the swap agreement, the Corporation has agreed to make payments to the lender based on a fixed rate of interest.

Terms: The notional amount was $4.5 million upon issuance and the swap agreement provides for reductions in the notional amount to coincide with expected redemptions of outstanding amounts of the associated note. The effective date of the swap agreement was December 10, 2020 and the maturity date is December 20, 2030. The synthetic fixed rate is 4.08%.

Fair Value: If the swap agreement has a negative fair value and is terminated, the Corporation would be liable to pay the lender the fair value amount as of the termination date; a positive fair value would result in an obligation of the lender. As of December 31, 2020, the swap agreement had a negative fair value of $314,898. This amount is reported as a noncurrent liability on the Corporation's statement of net position. Since the coupons on the Corporation's variable rate note adjust to changing interest rates, the note does not have a corresponding fair value change. The fair value of the swap agreement was estimated by the lender based on prevailing market data and derived from proprietary valuation models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

Swap Effectiveness: As of December 31, 2020, the Corporation's interest rate swap has been determined to be effective. Accordingly, the cumulative changes in the fair value of the swap is reported as a deferred outflow of resources of $314,898. The year-over-year change in fair value was $314,898 and can be attributed to the change in market interest rates during the year.

6. Note Payable (Continued)

The Mortgage Note and Swap Agreement are collateralized by the new construction, and assignment of rents and leases. Upon the occurrence of any event of default and at any time thereafter, the lender may, at its option, but without any obligation to do so, and in addition to any other right the lender without notice to the Corporation may have, do any one or more of the following without notice to borrower: (a) expend funds necessary to remedy the default; (b) take possession of the property; (c) accelerate maturity of the note and demand payment of all sums due under the note; (d) bring action on the note; (e) foreclose lender's security agreement or mortgage, if any, on the property in any manner available under law; and (g) exercise any other right or remedy which is has under the note or related documents, or which is otherwise available at law or in equity or by statute.

The following schedule contains the debt service on the note and payments on the associated interest rate swap agreement. Interest calculations were based on rates as of December 31, 2020. As rates vary, variable-rate note interest payments and net swap payments may vary.

Year Ending	Variable Rate		Interest Rate	
December 31	Principal	Interest	Swap	Total
2021	$ 372,579	$ 105,263	$ 71,430	$ 549,272
2022	387,973	94,697	66,528	549,198
2023	404,004	85,218	59,896	549,118
2024	420,322	75,353	52,980	548,655
2025	438,063	65,080	45,774	548,917
2026-2030	2,477,059	155,758	109,817	2,742,634
Total	$ 4,500,000	$ 581,369	$ 406,425	$ 5,487,794

7. 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.

8. Notes Receivable

On March 26, 2019, the Corporation sold a property located at 1195 Mound Road to TWS Properties, LLC, for $588,382. The Corporation financed $588,382 of the sale. The mortgage note carries an interest rate of 5.75% and a maturity date of April 1, 2034.

9. Change in Accounting Principles

For the year ended December 31, 2020, the Corporation implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2020, the Corporation has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Corporation.

For the year ended December 31, 2020, the Corporation also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the Corporation.

10. Contingent Liabilities

Amounts grantor agencies pay to the Corporation are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. The impact on the Corporation's future operating costs and revenues cannot be estimated.

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INDEPENDENT AUDITOR'S 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 252
Miamisburg, Ohio 45342

To the Board of Directors:

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 Mound Development Corporation, Montgomery County, (the Corporation) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated October 14, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

October 14, 2021

OHIO AUDITOR OF STATE
KEITH FABER

MOUND DEVELOPMENT CORPORATION

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 11/4/2021