MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY
DECEMBER 31, 2022

TABLE OF CONTENTS

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mound Development Corporation, Montgomery County, Ohio (the Corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Mound Development Corporation, Montgomery County, Ohio as of December 31, 2022, and the changes in 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2022 the Corporation adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 26, 2023

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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, 2022. 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 of the Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $13.9 million (net position). Of this amount, $8.3 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, 2022. 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 2022:

Table 1
Net Position at Year End

	2022	Restated 2021	Change
Assets			
Current assets	$ 4,988,039	$ 4,610,536	$ 377,503
Noncurrent assets	15,035,032	15,486,368	(451,336)
Total Assets	**20,023,071**	**20,096,904**	**(73,833)**
Deferred Outflows of Resources	**-**	**117,211**	**(117,211)**
Liabilities			
Current liabilities	674,715	784,284	(109,569)
Noncurrent liabilities	3,335,444	3,627,965	(292,521)
Total liabilities	**4,010,159**	**4,412,249**	**(402,090)**
Deferred Inflows of Resources	**2,104,157**	**1,233,043**	**871,114**
Net position			
Investment in capital assets	5,598,204	5,673,425	(75,221)
Unrestricted	8,310,551	8,895,398	(584,847)
Total Net position	**$ 13,908,755**	**$ 14,568,823**	**$ (660,068)**

Noncurrent assets decreased significantly in comparison with the prior year. This decrease primarily represents a decrease on the Corporation's capital assets.

Noncurrent liabilities also decreased significantly. The largest component of this decrease was a decrease in note payable representing principal repayments made during the year.

Deferred Inflows of resources increased significantly in comparison with the prior year. This increase is primarily the result of the inception of new leases.

Table 2 provides a summary of the Corporation's change in net position for 2022:

Table 2
Change in Net Position

	2022	Restated 2021	Change
Operating revenues			
Lease revenue	$ 748,470	$ 943,455	$ (194,985)
Other revenue	11,024	11,718	(694)
Total operating revenue	759,494	955,173	(195,679)
Operating expenses			
Salaries and benefits	127,581	161,992	(34,411)
General and administrative	26,926	23,473	3,453
Utilities	140,111	143,557	(3,446)
Consulting and professional	98,071	100,067	(1,996)
Repair and maintenance	460,314	447,042	13,272
Real estate taxes	274,818	162,989	111,829
General liability insurance	84,466	46,069	38,397
Depreciation	325,701	338,174	(12,473)
Total operating expenses	1,537,988	1,423,363	114,625
Total operating loss	(778,494)	(468,190)	
Non-operating revenues (expenses)			
Interest expense	(162,531)	(180,255)	17,724
Lease interest income	357,164	251,541	105,623
Investment income	(76,207)	42,918	(119,125)
Total non-operating revenues (expenses)	118,426	114,204	4,222
Change in net position	(660,068)	(353,986)	
Net position, beginning of year, restated	**14,568,823**	**14,922,809**	
Net position, end of year	**$ 13,908,755**	**$ 14,568,823**	

Lease revenue decreased significantly and lease interest revenue increased significantly in comparison with the prior year. Both of these changes are the result of the implementation of GASB Statement No. 87 and required revenue classifications.

Real estate taxes increased significantly in comparison with the prior year. This increase is primarily due to the corporation assuming ownership of real estate parcels transferred from the Federal Department of Energy.

Investment income decreased significantly in comparison with the prior year. This decrease is primarily the result of rising interest rates and their impact on the corporation's equity investment portfolio.

Capital Assets

As of fiscal year-end, the Corporation has $5.6 million invested in capital assets, a decrease of $338,199 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation exceeded acquisitions, including the effect of GASB 87 implementation. See Note 4 for more information.

Debt

As of fiscal year-end, the Corporation has $3.7 million in notes payable outstanding, a decrease of $387,973 in comparison with the prior fiscal year-end. This decrease represents principal paid by the Corporation during the current fiscal year. See Note 6 for more information.

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
Montgomery County, Ohio
Statement of Net Position
As of December 31, 2022

Assets		
Current assets		
Cash and cash equivalents	$	3,433,333
Cash and cash equivalents in segregated account		147,528
Tenant receivable		85,422
Prepaid expenses		56,160
Leases receivable		1,233,429
Note receivable		27,395
Leases interest receivable		4,772
Total current assets		4,988,039
Noncurrent Assets		
Leases receivable		8,684,469
Note receivable		457,475
Swap fair value		294,884
Nondepreciable capital assets		2,287,054
Depreciable capital assets, net		3,311,150
Total noncurrent assets		15,035,032
Total assets		**20,023,071**
Liabilities		
Current liabilities		
Accounts payable		5,828
Accrued salaries and benefits		4,638
Accrued expenses		132,921
Unearned revenue		115,231
Security deposit payable		12,093
Note payable		404,004
Total current liabilities		674,715
Noncurrent liabilities		
Note payable		3,335,444
Total noncurrent liabilities		3,335,444
Total liabilities		**4,010,159**
Deferred inflows of resources		
Leases		1,809,273
Accumulated Increase in fair value of hedging derivative		294,884
Total deferred inflows of resources		**2,104,157**
Net position		
Net investment in capital assets		5,598,204
Unrestricted		8,310,551
Total net position	**$**	**13,908,755**

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

Mound Development Corporation
Montgomery County, Ohio
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

Operating revenues	
Lease revenue	$ 748,470
Other revenue	11,024
Total operating revenue	759,494
Operating expenses	
Salaries and benefits	127,581
General and administrative	26,926
Utilities	140,111
Consulting and professional	98,071
Repair and maintenance	460,314
Real estate taxes	274,818
General liability insurance	84,466
Depreciation	325,701
Total operating expenses	1,537,988
Total operating loss	(778,494)
Non-operating revenues (expenses)	
Interest expense	(162,531)
Lease interest revenue	357,164
Investment income	(76,207)
Total non-operating revenues (expenses)	118,426
Change in net position	(660,068)
Net position, beginning of year, restated	**14,568,823**
Net position, end of year	**$ 13,908,755**

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

Mound Development Corporation
Montgomery County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities		
Cash received from leases	$	1,600,682
Cash received from other operating revenue		11,024
Cash payments for goods and services		(1,080,517)
Cash payments for employee services and benefits		(132,126)
Net cash provided by operating activities		**399,063**
Cash flows from capital and related financing activities		
Cash payments for note principal		(387,973)
Cash payment for note interest		(162,532)
Cash payments for capital assets		(250,480)
Net cash used for capital and related financing activities		**(800,985)**
Cash flows from investing activities		
Cash received from lease interest		352,393
Interest income		13,760
Change in fair value of cash equivalents		(116,318)
Principal received from note receivable		27,395
Interest received from note receivable		26,351
Net cash provided by investing activities		**303,581**
Net decrease in cash		(98,341)
Cash and cash equivalents at beginning of year		3,531,674
Cash and cash equivalents at end of year	$	3,433,333

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

Mound Development Corporation
Montgomery County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2022

Operating loss	$	(778,494)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		325,701
Changes in assets and liabilities		
Decrease in prepaid expenses		5,935
Increase in tenant receivable		(66,628)
Decrease in leases receivable		264,956
Increase in segregated account		(31,731)
Decrease in accounts payable		(16,103)
Increase in unearned revenue		109,385
Decrease in accrued salaries and benefits		(4,545)
Increase in accrued expenses		14,357
Increase in deferred inflows of resources related to leases		576,230
Total Adjustments		851,856
Net cash provided by operating activities	**$**	**399,063**

Schedule of non-cash transactions:

During the year, the Corporation executed new lease agreements with tenants totaling $910,901.

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

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 – Acquired Used	20 years
Buildings – New Construction	40 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. Capital additions, received through the Corporation's affiliation with the Department of Energy, are designated to further the Corporation's purpose.

Net Position

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

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.

Implementation of New Accounting Principles

For the year ended December 31, 2022, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, certain provisions of GASB Statement No. 97*, Component Unit Criteria and Deferred Compensation Plans,* and certain provisions of GASB Statement No. 99*, Omnibus 2022.*

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of GASB Statement No. 87 resulted in the restatement of the Corporation's financial statements

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the Corporation.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the Corporation.

Restatement of Net Position

The implementation of GASB 87 had the following effect on net position as reported December 31, 2021:

	Governmental Activities
Net Position, December 31, 2021	$ 12,299,934
Leases Receivable	2,640,180
Depreciable Capital Assets, Net	(262,978)
Unearned Lease Revenue	1,124,730
Deferred Inflows of Resources	(1,233,043)
Net Position, January 1, 2022	$ 14,568,823

NOTE 3 - DEPOSITS AND INVESTMENTS

The Corporation's bank balance was $2,709,347. As of December 31, 2022, deposits in excess of federally insured limits were $2,215,724. 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 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.

The Corporation's only investment at year-end was a Vanguard Total Stock Exchange Traded Fund in the amount of $783,879. The Corporation's investment is valued using Level 1 inputs.

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.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022 is as follows:

	Restated Beginning Balance	Acquisitions	Disposals	Ending Balance
Non-depreciable assets:				
Land	$ 2,249,270	$ -	$ -	$ 2,249,270
Construction in progress	-	32,663	-	32,663
Equipment held for sale or lease	5,121	-	-	5,121
Total Non-depreciable assets	2,254,391	32,663	-	2,287,054
Depreciable assets:				
Buildings and improvements	3,305,659	217,817	445	3,523,921
Leasehold improvements	3,766,500	-	-	3,766,500
Office furniture and equipment	97,306	-	(445)	96,861
Site improvements held for donation	3,424,951	-	-	3,424,951
Infrastructure	5,720,587	-	-	5,720,587
Total depreciable assets	16,315,003	217,817	-	16,532,820
Less: accumulated depreciation				
Buildings and improvements	(2,728,344)	(120,724)	-	(2,849,068)
Leasehold improvements	(3,566,040)	(38,451)	-	(3,604,491)
Office furniture and equipment	(87,058)	(2,657)	-	(89,715)
Site improvements held for donation	(1,274,844)	(127,165)	-	(1,402,009)
Infrastructure	(5,239,683)	(36,704)	-	(5,276,387)
Total accumulated depreciation	(12,895,969)	(325,701)	-	(13,221,670)
Total depreciable assets - net	3,419,034	(107,884)	-	3,311,150
Total property and equipment - net	$ 5,673,425	$ (75,221)	$ -	$ 5,598,204

NOTE 5 – LEASES RECEIVABLE

The corporation is reporting $9,917,898 of lease receivable as of December 31, 2022. This amount represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the corporation reported lease revenue of $748,470 and lease interest revenue of $357,164.

Company/Lessee	Lease Commencement Date	Lease Months	Lease Ending Date	Payment Method
Barge Design Solutions	2022	84	2029	Monthly
BLC Entertainment	2022	72	2028	Monthly
Blue Grass Farmaceuticals	2022	78	2028	Monthly
Excelitas	2020	120	2030	Monthly
Global Power Tech	2022	72	2028	Monthly
Jonathan Tumey	2022	48	2026	Monthly
Precision Joining Technologies	2019	60	2024	Monthly
Secure Cyber Defense	2019	48	2023	Monthly
TDA Technology	2022	50	2026	Monthly
WestRock	2018	156	2031	Monthly

A summary of future lease receipts is as follows:

Year	Principal	Interest	Total Receipts
2023	$ 1,233,429	$ 338,714	$ 1,572,143
2024	1,157,788	295,793	1,453,581
2025	1,206,102	252,714	1,458,816
2026	1,252,653	207,809	1,460,462
2027	1,295,106	161,372	1,456,478
2028-2031	3,772,820	198,158	3,970,978
	$ 9,917,898	$ 1,454,560	$ 11,372,458

NOTE 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	$ 4,127,421	$ -	$ (387,973)	$ 3,739,448	$ 404,004

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, 2022, the swap agreement had a positive fair value of $294,884. This amount is reported as a noncurrent asset 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, 2022, 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 inflow of resources of $294,884. The year-over-year change in fair value was $412,095 and can be attributed to the change in market interest rates during the year.

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, 2022. 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
2023	404,004	230,536	(83,517)	551,023
2024	420,322	203,846	(71,346)	552,822
2025	438,063	176,056	(61,619)	552,500
2026	456,163	147,105	(53,297)	549,971
2027	475,011	116,957	(42,377)	549,591
2028-2030	1,545,885	157,297	(57,014)	1,646,168
Total	$ 3,739,448	$ 1,031,797	$ (369,170)	$ 4,402,075

The Open-End Construction Mortgage Holder requires as part of the Financial Covenants and Ratios, the Corporation maintain a Debt Service Coverage equal to or in excess of 1.200 to 1.00 for the Excelitas Technologies Building 87 Construction Project Financed. The Information is presented for this purpose only.

Minimum Fixed Coverage Ratio	2022
Lease Principal	$ 671,447
Lease Interest	162,531
Total Fixed Inflows	833,978
Fixed Charges	
Interest Expense	162,531
Principal Installments Indebtedness	387,973
Total Fixed Charges	550,504
Fixed Charge Coverage Ratio	1.51
Target	1.20
Favorable Variance	0.31

NOTE 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.

NOTE 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.

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2022, 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 26, 2023, wherein we noted the Corporation adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

October 26, 2023

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 11/21/2023