MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2013
Fiscal Year Audited Under GAGAS: 2013

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, 2013 through December 31, 2013. 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.

Dave Yost

Dave Yost
Auditor of State

July 29, 2014

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MOUND DEVELOPMENT CORPORATION
MONTGOMERY COUNTY

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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, 2013 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, 2013, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, 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 Information

Our audit was conducted to opine on the Corporation's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as 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 Expenditures of Federal Awards 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 25, 2014, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
June 25, 2014

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, 2013. 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.

Financial Highlights

The total assets of the Corporation were $17,191,454 as of December 31, 2013 and the total liabilities were $459,564 at fiscal year-end. Net position of the Corporation totaled $16,731,890, a decrease of $411,734 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, 2013. 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.

Financial Analysis

Table 1 provides a summary of the Corporation's net position for 2013:

Table 1
Net Position at Year End

	2013	2012
Assets		
Current assets	$ 1,539,466	$ 2,261,274
Noncurrent assets	15,651,988	15,622,480
Total Assets	**17,191,454**	**17,883,754**
Liabilities		
Current liabilities	459,564	740,130
Total liabilities	**459,564**	**740,130**
Net position		
Investment in capital assets	15,131,334	15,083,743
Restricted for grant programs	1,026,603	1,454,103
Unrestricted	573,953	605,778
Total Net position	**$ 16,731,890**	**$ 17,143,624**

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Financial Analysis (continued)

Table 2 provides a summary of the Corporation's change in net position for 2013:

Table 2
Change in Net Position

	2013	2012
Operating revenues		
Grant revenue	$ 2,152,998	$ 4,380,757
Lease revenue	1,084,048	1,353,966
Other revenue	49,720	120,554
Total operating revenue	3,286,766	5,855,277
Operating expenses		
Salaries and benefits	559,026	496,671
General and administrative	230,439	172,984
Utilities	249,514	156,851
Consulting and professional	126,902	125,608
Repair and maintenance	770,503	659,764
Tenant receivable writeoff	184,924	60,591
Depreciation	1,604,133	1,609,016
Total operating expenses	3,725,441	3,281,485
Total operating income (loss)	(438,675)	2,573,792
Non-operating revenues (expenses)		
Mortgage issuance costs	-	(44,201)
Mortgage interest income	26,941	2,155
Total non-operating revenues (expen	26,941	(42,046)
Income before capital contributions	(411,734)	2,531,746
Capital contributions	-	695,000
Change in net position	(411,734)	3,226,746
Net position, beginning of year	**17,143,624**	**13,916,878**
Net position, end of year	**$ 16,731,890**	**$ 17,143,624**

Financial Analysis (continued)

Grant revenue decreased significantly in comparison with the prior fiscal year. This decrease is the result of the Corporation completing a major grant-funded project. 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 connects the northern and southern entrances of the Mound campus. Design work was completed in 2011, construction began in 2012 and the project was completed in 2013.

Lease revenue decrease significantly in comparison with the prior fiscal year. This decrease is the result of Mound Laser moving their business to a new location on 6/1/2013. Also, National Discovery Center (on 9/1/2013) and IYA (on 11/1/2012) were evicted due to non payment of their rents.

Capital Assets

As of fiscal year end, the Corporation has $15,131,334 invested in capital assets. This amount represents $31,780,583 in capital assets at cost, offset by accumulated depreciation of $16,649,249. Current additions and depreciation were $1,663,292 and $1,604,133, 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.

Mound Development Corporation
Statement of Net Position
As of December 31, 2013

Assets		
Current assets		
Cash and cash equivalents	$	1,059,086
Prepaid expenses		48,164
Tenant receivable		101,544
Deposits		7,000
Grants receivable		305,589
Notes receivable		18,083
Total current assets		1,539,466
Noncurrent Assets		
Notes receivable		520,654
Nondepreciable capital assets		2,370,000
Depreciable capital assets, net		12,761,334
Total noncurrent assets		15,651,988
Total Assets		**17,191,454**
Liabilities		
Current liabilities		
Accounts payable		56,293
Accrued salaries and benefits		58,301
Accrued expenses		318,145
Escrow payable		26,825
Total current liabilities		459,564
Total liabilities		**459,564**
Net position		
Investment in capital assets		15,131,334
Restricted for grant programs		1,026,603
Unrestricted		573,953
Total net position	**$**	**16,731,890**

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 Fiscal Year Ended December 31, 2013

Operating revenues		
Grant revenue	$	2,152,998
Lease revenue		1,084,048
Other revenue		49,720
Total operating revenue		3,286,766
Operating expenses		
Salaries and benefits		559,026
General and administrative		230,439
Utilities		249,514
Consulting and professional		126,902
Repair and maintenance		770,503
Tenant receivable writeoff		184,924
Depreciation		1,604,133
Total operating expenses		3,725,441
Total operating income (loss)		(438,675)
Non-operating revenues (expenses)		
Mortgage interest income		26,941
Total non-operating revenues (expenses)		26,941
Change in net position		(411,734)
Net position, beginning of year		**17,143,624**
Net position, end of year	**$**	**16,731,890**

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

Mound Development Corporation
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2013

Cash flows from operating activities		
Cash received from federal grants	$	1,517,851
Cash received from state grants		1,287,169
Cash received from other grants (Edge & City)		325,000
Cash received from leases		1,085,176
Cash received from equipment sales		1,323
Cash received from other operating		48,397
Cash payments for goods and services		(1,408,858)
Cash payments for employee services		(464,973)
Cash payments for employee benefits		(181,398)
Net cash provided by operating activities		**2,209,687**
Cash flows from capital and related activities		
Cash received from repayment of mortgage note		42,796
Cash received from mortgage escrow payments		24,590
Cash payments for capital assets		(1,795,155)
Net cash used by capital and related activities		**(1,727,769)**
Net increase in cash		**481,918**
Cash and cash equivalents at beginning of year		577,168
Cash and cash equivalents at end of year	$	1,059,086

Operating loss	$	(438,675)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		1,604,133
Loss on disposal of assets		11,568
Changes in assets and liabilities		
(Increase)/decrease in prepaid expenses		42,880
(Increase)/decrease in tenant receivable		186,052
(Increase)/decrease in grants receivable		977,022
Increase/(decrease) in accounts payable		(174,735)
Increase/(decrease) in accrued salaries and benefits		(87,345)
Increase/(decrease) in accrued expenses		88,787
Total Adjustments		1,032,661
Net cash provided by operating activities	**$**	**2,209,687**

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 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, 2013 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.

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 $1,059,086 and the bank balance was $1,087,152 as of December 31, 2013. As of December 31, 2013, deposits in excess of federally insured limits were $837,152.

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, 2013 is as follows:

	Beginning Balance	Acquisitions	Deductions	Transfers	Ending Balance
Non-depreciable assets:					
Land	$ 2,370,000	$ -	$ -	$ -	$ 2,370,000
Construction-in-process	4,236,010	1,039,372	-	(5,275,382)	-
Depreciable assets:					
Buildings and improvements	3,534,397	116,663	-	270,013	3,921,073
Leasehold improvements	7,960,747	324,272	(793,651)	270,014	7,761,382
Office furniture and equipment	115,843	3,079	-	-	118,922
Equipment held for sale or lease	6,525	-	(85)	-	6,440
Site improvements held for donation	5,313,939	-	-	4,126,343	9,440,282
Infrastructure	7,373,566	179,906	-	609,012	8,162,484
Subtotal	30,911,027	1,663,292	(793,736)	-	31,780,583
Less: accumulated depreciation					
Buildings and improvements	(2,801,818)	(366,486)	43,500	-	(3,124,804)
Leasehold improvements	(5,085,101)	(511,866)	738,668	-	(4,858,299)
Office furniture and equipment	(97,387)	(7,489)	-	-	(104,876)
Site improvements held for donation	(2,314,493)	(284,504)	-	-	(2,598,997)
Infrastructure	(5,528,485)	(433,788)	-	-	(5,962,273)
Total accumulated depreciation	(15,827,284)	(1,604,133)	782,168	-	(16,649,249)
Total property and equipment - net	$ 15,083,743	$ 59,159	$ (11,568)	$ -	$ 15,131,334

5. Grant Revenue

Grant revenues for the year ended December 31, 2013 is as follows:

U.S. Department of Energy - Facilities Transition	$ 1,212,112
U.S. Department of Energy – Energy Initiative	239,811
Excelitas	154,000
City of Miamisburg	25,000
EDGE	184,511
State of Ohio – Roadwork Development	186,959
State of Ohio – Job Ready Sites	150,605
	$ 2,152,998

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, 2017). 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:

2014	$ 986,338
2015	905,721
2016	929,974
2017	914,049
2018	842,233
TOTAL	$ 4,578,315

Rental income for the year ended December 31, 2013 was $1,084,048.

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 11 payments during 2013. At December 31, 2013, the balance of the note was $538,737.

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 2013, 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 2013 member contribution rates were 10.0% for members in state and local classifications. The 2013 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, 2013, 2012 and 2011 were $15,565, $16,054, and $16,054, 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 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 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, 2013, 2012, and 2011 were $1,111, $4,587, and $4,587, respectively. 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.

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 fiscal year 2013, the Corporation has implemented the following:

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the Corporation.

GASB Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The implementation of this statement did not have a significant effect on the financial statements of the Corporation.

13. New Pronouncements

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The implementation of this Statement is effective for financial statements for fiscal years beginning after June 15, 2014.

Mound Development Corporation
(an Ohio Not-for-profit Corporation)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/ Program Title	CFDA Number	Grant Number	Federal Disbursements
U.S. Department of Energy			
Direct Program			
Long-Term Surveillance and Maintenance	81.136	DE-FG01-08LM00121	$ 1,212,112
		DE-LM0000251	239,811
Total Long-Term Surveillance and Maintenance			1,451,923
Total U.S. Department of Energy			1,451,923
Total Federal Financial Assistance			$ 1,451,923

The accompanying notes are an intergral 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, 2013

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 2013 was $1,161,535.

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, 2013, and the related notes to the financial statements and have issued our report thereon dated June 25, 2014.

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.
Worthington, Ohio
June 25, 2014

Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
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, 2013. 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 its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Corporation's compliance for the Corporation's major federal program 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 compiled, 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, 2013.

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 each 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.

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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests 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.
Worthington, Ohio
June 25, 2014

Mound Development Corporation
Montgomery County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
December 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	No
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(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

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

None noted

Mound Development Corporation
Montgomery County

Schedule of Prior Audit Findings
OMB Circular A-133 § .315 (b)
For the Fiscal Year Ended December 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-01	Material Weakness/Noncompliance- Untimely filing of data collection form with the Federal Audit Clearinghouse	Yes	

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 12, 2014

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