MOUND DEVELOPMENT CORPORATION
(Formerly Miamisburg Mound Community Improvement Corporation)
MONTGOMERY COUNTY

Financial Statements and
Independent Accountant's Reports

For the Fiscal Year Ended
December 31, 2011

Kennedy
Cottrell
Richards

Accountants & Consultants for Business & Government

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

We have reviewed the *Independent Accountants' Report* of the Mound Development Corporation, Montgomery County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2011 through December 31, 2011. 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
Auditor of State

November 8, 2012

MOUND DEVELOPMENT CORPORATION
(Formerly Miamisburg Mound Community Improvement Corporation)
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Mound Development Corporation, Montgomery County (the Corporation), formerly known as the Miamisburg Mound Community Improvement Corporation, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include a 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 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Corporation's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information 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. This schedule was subject 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 to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards

June 27, 2012

This management's discussion and analysis of the Mound Development Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Corporation's financial performance.

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

Financial Highlights

The total assets of the Corporation were $14,510,763 as of December 31, 2011 and the total liabilities were $593,885 at fiscal year end. Net assets of the Corporation totaled $13,916,878, a decrease of $775,130 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 assets and the statement of revenues, expenses and changes in net assets provides 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 assets and the statement of revenues, expenses, and changes in net assets reflect how the Corporation did financially during the year ended December 31, 2011. The change in net assets 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 assets for 2011:

Table 1
Net Assets at Year End

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 1,155,368	$ 1,321,894
Prepaid expenses	74,516	66,041
Tenant receivable	188,094	88,626
Deposits	73,137	73,137
Grants receivable	645,790	581,888
Total current assets	2,136,905	2,131,586
Noncurrent Assets		
Nondepreciable Capital Assets	2,694,479	2,862,315
Net Depreciable Capital Assets	9,679,379	10,315,493
Total noncurrent assets	12,373,858	13,177,808
Total Assets	**14,510,763**	**15,309,394**
Liabilities		
Current Liabilites		
Accounts payable	167,780	267,351
Accrued salaries and benefits	130,242	143,754
Accrued expenses	295,863	206,281
Total current liabilites	593,885	617,386
Total Liabilities	**593,885**	**617,386**
Net Assets		
Investment in Capital Assets	12,373,858	13,177,808
Restricted for Federal Grant Programs	920,799	863,682
Unrestricted	622,221	650,518
	$ 13,916,878	**$ 14,692,008**

Financial Analysis (continued)

Table 2 provides a summary of the Corporation's change in net assets for 2011:

Table 2 Changes in Net Assets		
	2011	**2010**
Operating Revenues		
Grant revenue	$ 1,039,826	$ 734,089
Lease revenue	1,366,751	1,357,984
Equipment sales revenue	187	-
Other revenue	171,467	66,038
Total operating revenue	2,578,231	2,158,111
Operating Expenses		
Salaries and benefits	507,284	572,953
General and administrative	174,013	220,489
Utilities	248,521	227,136
Consulting and professional	126,536	150,933
Repair and maintenance	659,778	597,027
Depreciation	1,637,229	1,634,215
Total operating expenses	3,353,361	3,402,753
Total operating income (loss)	(775,130)	(1,244,642)
Change in net assets	(775,130)	(1,244,642)
Net Assets, beginning of year	**14,692,008**	**15,936,650**
Net Assets, end of year	**$ 13,916,878**	**$ 14,692,008**

Financial Analysis (continued)

Two existing tenants increased their lease space this year. One added 900 square feet of additional office space. The other tenant leased a 3,000 square foot facility. MDC provided $50,000 in project management services and building improvements to create production space. The company has relocated their production capabilities to the Mound from California and South Carolina.

The Mound Science and Energy Museum held its grand opening in 2011. MDC has provided a 10,000 square foot building rent free. In exchange the Museum will refurbish and maintain the building as its permanent home. Museum officials plan to create interactive displays where visitors learn about history, science, technology, engineering and math. Students of Wright State University's graduate program in public history are developing the plans.

In 2011, we implemented four major energy improvements to monitoring and controls of HVAC and lighting systems in two buildings on the Mound campus. These projects have resulted in a 14 percent reduction in energy usage and a 9 percent reduction in energy costs.

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

Capital Assets

As of fiscal year end, the Corporation has $12,373,858 invested in capital assets. This amount represents $26,592,126 in capital assets at cost, offset by accumulated depreciation of $14,218,268. Current year net additions and depreciation were $639,200 and $1,443,150, 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
(Formerly Miamisburg Mound Community Improvement Corporation)
(An Ohio Not-for-profit Corporation)
Statement of Net Assets
As of December 31, 2011

Assets	
Current Assets	
Cash and cash equivalents	$ 1,155,368
Prepaid expenses	74,516
Tenant receivable	188,094
Deposits	73,137
Grants receivable	645,790
Total current assets	2,136,905
Noncurrent Assets	
Nondepreciable Capital Assets	2,694,479
Net Depreciable Capital Assets	9,679,379
Total noncurrent assets	12,373,858
Total Assets	**14,510,763**
Liabilities	
Current Liabilites	
Accounts payable	167,780
Accrued salaries and benefits	130,242
Accrued expenses	295,863
Total current liabilites	593,885
Total Liabilities	**593,885**
Net Assets	
Investment in Capital Assets	12,373,858
Restricted for Federal Grant Programs	920,799
Unrestricted	622,221
	$ 13,916,878

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

Mound Development Corporation
(Formerly Miamisburg Mound Community Improvement Corporation)
(An Ohio Not-for-profit Corporation)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

Operating Revenues	
Grant revenue	$ 1,039,826
Lease revenue	1,366,751
Equipment sales revenue	187
Other revenue	171,467
Total operating revenue	2,578,231
Operating Expenses	
Salaries and benefits	507,284
General and administrative	174,013
Utilities	248,521
Consulting and professional	126,536
Repair and maintenance	659,778
Depreciation	1,637,229
Total operating expenses	3,353,361
Total operating income (loss)	(775,130)
Change in net assets	(775,130)
Net Assets, beginning of year	**14,692,008**
Net Assets, end of year	**$ 13,916,878**

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

Mound Development Corporation
(Formerly Miamisburg Mound Community Improvement Corporation)
(An Ohio Not-for-profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash flows from Operating Activities	
Cash Received from Federal Grants	$ 891,058
Cash Received from Leases	1,440,652
Cash Received from Equipment Sales	187
Cash Received from Other (EDGE & City)	84,867
Cash Payments for Goods and Services	(1,049,543)
Cash Payments for Employee Services	(392,305)
Cash Payments for Employee Benefits	(138,491)
Net cash provided by Operating Activities	**836,425**
Cash flows from Capital and Related Activities	
Purchase of Capital Assets	(1,002,951)
Net cash used by Capital and Related Activities	**(1,002,951)**
Net increase (decrease) in Cash	**(166,526)**
Cash and Cash Equivalents at beginning of year	1,321,894
Cash & Cash Equivalents at end of year	1,155,368
Operating Loss	(775,130)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	1,637,229
Changes in Assets and Liabilities	
(Increase)/decrease in prepaid expenses	1,525
(Increase)/decrease in tenant receivable	(99,468)
(Increase)/decrease in federal grants receivable	92,354
(Increase)/decrease in state grants receivable	(221,124)
(Increase)/decrease in local grants receivable	64,869
Increase/(decrease) in accounts payable	70,100
Increase/(decrease) in accrued salaries and benefits	(23,511)
Increase/(decrease) in accrued expenses	89,581
Total Adjustments	(25,674)
Net Cash Provided by Operating Activities	**$ 836,425**

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

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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, 2011 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.

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 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 amounts of the Corporation's deposits were $1,155,368 as of December 31, 2011. The bank balance was $1,159,361 as of December 31, 2011. As of December 31, 2011, deposits in excess of federally insured limits were $909,361.

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, 2011 is as follows:

	Beginning Balance	Acquisitions	Deductions	Transfers	Ending Balance
Non-depreciable assets:					
Land	$ 2,370,000	$ -	$ -	$ -	$ 2,370,000
Construction-in-process	492,315	324,479	-	(492,315)	324,479
Depreciable assets:					
Buildings and improvements	3,476,440	18,950			3,495,390
Leasehold improvements	6,821,627	474,219	(185,667)	489,332	7,599,511
Office furniture and equipment	97,295	8,438		2,983	108,716
Equipment held for sale or lease	16,839		(10,314)		6,525
Site improvements held for donation	5,313,939				5,313,939
Infrastructure	7,364,471	9,095		-	7,373,566
Subtotal	25,952,926	835,181	(195,981)	-	26,592,126
Less: accumulated depreciation	(12,775,118)	(1,637,229)	194,079	-	(14,218,268)
Total property and equipment - net	$13,177,808	$ (802,048)	$ (1,902)	$ -	$ 12,373,858

5. Grant Revenue

Grant revenues for the year ended December 31, 2011 is as follows:

U.S. Department of Energy - Facilities Transition	$	333,489
U.S. Department of Energy – Energy Initiative		465,215
ED/GE Montgomery County – Perkin Elmer Project		19,998
State of Ohio – Making Efficiency Work		221,124

6. Leases and Subleases

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

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

2012	$ 1,068,696
2013	849,578
2014	845,119
2015	784,411
2016	731,895
TOTAL	$ 4,279,699

Rental incomes for the year ended December 31, 2011 was $1,062,500.

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. 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.

7. Defined Benefit Pension Plan

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 2011, 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 2011 member contribution rates were 10.0% for members in state and local classifications. The 2011 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, 2011, 2010 and 2009 were $16,054, $16,049, and $21,511, respectively. 100 percent has been contributed for each year.

8. 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.

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.

8. Postemployment Benefits (Continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% of covered payroll during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of employer contributions that were used to fund post-employment benefits was $4,587 for 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

9. 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.

10. 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.

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INDEPENDENT ACCOUNTANTS' 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 the basic financial statements of the Mound Development Corporation, Montgomery County (the Corporation), formerly known as the Miamisburg Mound Community Improvement Corporation, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We intend this report solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities, and others within the Corporation. We intend it for no one other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards

June 27, 2012

186 North High Street
Gahanna, OH 43230

Kennedy Cottrell Richards

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INDEPENDENT ACCOUNTANTS' 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:

Compliance

We have audited the compliance of Mound Development Corporation, Montgomery County (the Corporation), formerly known as the Miamisburg Mound Community Improvement Corporation, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Corporation's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Corporation's major federal programs. The Corporation's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Corporation's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with these requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

Internal Control Over Compliance (cont.)

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-01 to be a material weakness.

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

We intend this report solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities, and others within the Corporation. We intend it for no one other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards

June 27, 2012

Mound Development Corporation
(Formerly Miamisburg Mound Community Improvement Corporation)
(an Ohio Not-for-profit Corporation)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

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	$ 333,489
		DE-LM0000251	465,216
Total Long-Term Surveillance and Maintenance			798,705
Passed through Ohio Department of Development			
ARRA - State Energy Program			
	81.041	ARRA-SEP-11-02	$ 237,749
Total ARRA - State Energy Program			237,749
Total U.S. Department of Energy			1,036,454
Total Federal Financial Assistance			$ 1,036,454

The accompanying notes are an intergral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

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 2011 was $876,897.

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Long-Term Surveillance and Maintenance CFDA #81.136 ARRA - State Energy Program CFDA #81.041
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	$300,000
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS RELATED TO FEDERAL AWARDS

CFDA Title and Number	ARRA - State Energy Program - CFDA #81.041
Federal Award Number / Year	ARRA-SEP-11-02 / 2011
Federal Agency	U.S. Department of Energy
Pass-Through Agency	Ohio Department of Development
Finding Number	2011-01

Internal Control – Schedule of Expenditures of Federal Awards

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Management is responsible for implementing internal control procedures related to drafting the schedule of expenditures of federal awards and related notes that ensure accuracy and completeness and enable management to prevent and detect potential misstatements prior to audit. It is important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

During 2011, the Corporation incurred $237,749 in disbursements under the ARRA – State Energy Program which was not reported on the Corporations Schedule of Expenditures of Federal Awards (SEFA). According to management, this error was an oversight in the preparation of the SEFA and a result of the Corporation dealing primarily with direct federal awards, while the ARRA – State Energy Program was passed through the Ohio Department of Development.

We provided an adjusting entry to the Corporation and the misstatement was subsequently corrected. The misstatement is an indicator that the Corporation does not have sufficient internal control procedures in place related to federal financial reporting.

We recommend that the Corporation devise and implement internal control procedures capable of ensuring the accuracy and completeness of the Corporation's SEFA to prevent similar errors from occurring in future periods. Control procedures could include a separate review and analysis of the SEFA by someone knowledgeable of Corporation's activities and OMB Circular A-133.

<u>Official's Response</u>

Management recognizes that the state Making Efficiency Work grant was mistakenly omitted from the schedule of federal awards. In the future, management will have the schedule reviewed before it is released.

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
NOVEMBER 20, 2012