



Dave Yost • Auditor of State

**NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Ohio Advanced Energy Improvement District
Lucas County
One Maritime Plaza, Suite 701
Toledo, Ohio 43604

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio (the District), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities and cash flows, as of and for the year ended December 31, 2014, and the related notes to the financial statements.

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 those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District'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 District'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 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 March 13, 2017, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2017

Northwest Ohio Advanced Energy Improvement District
 Lucas County
 Statement of Financial Position
 December 31, 2014

Assets

Current assets:

Cash and cash equivalents held by trustees	\$ 3,888,773
Current portion of notes receivable	1,019,492
Accounts receivable	80,433
Advance to Toledo-Lucas County Port Authority	1,825,061
Interest receivable	<u>33,006</u>
	<u>6,846,765</u>

Noncurrent assets:

Notes receivable, net of current portion	14,474,585
Bond issuance costs	435,596
Accumulated amortization of bond issuance costs	(62,013)
Prepaid expenses	<u>1,875</u>
	<u>14,850,043</u>
	<u>\$ 21,696,808</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 19,782
Current portion of bonds payable	775,000
Accrued interest	<u>91,602</u>
	886,384

Noncurrent liabilities:

Bonds payable, net of current portion	14,940,000
Notes receivable issuance costs, net of amortization	434,670
Deferred revenue	752,212
Funds held on behalf of borrowers	<u>1,586,845</u>
	<u>17,713,727</u>
	<u>18,600,111</u>

Net assets

Unrestricted	96,697
Temporarily restricted	<u>3,000,000</u>
	<u>3,096,697</u>
	<u>\$ 21,696,808</u>

See accompanying notes to the financial statements

Northwest Ohio Advanced Energy Improvement District
 Lucas County
 Statement of Activities
 December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grant income	\$ -	3,048,497	3,048,497
Interest income on notes receivable	818,009	-	818,009
Fee income	135,201	-	135,201
Investment income	3,252	-	3,252
Net assets released from restriction	<u>48,497</u>	<u>(48,497)</u>	<u>-</u>
Total revenues	1,004,959	3,000,000	4,004,959
Program expenses			
Interest expense on bonds payable	733,216	-	733,216
Legal and other professional fees	103,840	-	103,840
Bond administration fees	100,475	-	100,475
Trustee fees	13,056	-	13,056
Amortization of bond issue costs	31,569	-	31,569
Other operating expenses	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total program expenses	<u>983,156</u>	<u>-</u>	<u>983,156</u>
Change in net assets	21,803	3,000,000	3,021,803
Net assets, beginning of year	<u>74,894</u>	<u>-</u>	<u>74,894</u>
Net assets, end of year	\$ <u>96,697</u>	<u>3,000,000</u>	<u>3,096,697</u>

See accompanying notes to the financial statements

Northwest Ohio Advanced Energy Improvement District
 Lucasc County
 Statement of Cash Flows
 December 31, 2014

Cash flows from operating activities:

Change in net assets	\$ 3,021,803
Adjustments to reconcile net change in net assets to net cash provided by operating activities:	
Amortization of bond issuance costs	31,569
Amortization of notes receivable issuance costs	(43,376)
Change in operating assets and liabilities:	
Increase in interest receivable	(164,502)
Increase in accounts payable	16,150
Increase in accrued interest	8,804
Increase in deferred revenue	<u>59,373</u>
Net cash provided by operating activities	<u>2,929,821</u>

Cash flows from investing activities:

Principal payments received on note receivable	712,027
Cash paid to or on behalf of borrowers	(3,915,689)
Cash advanced to Toledo-Lucas County Port Authority	(2,488,679)
Payments received on advance from Toledo-Lucas County Port Authority	<u>148,923</u>
Net cash used in investing activities	<u>(5,543,418)</u>

Cash flows from financing activities:

Principal payments on bonds payable	<u>(620,000)</u>
Net cash used in financing activities	<u>(620,000)</u>

Net decrease in cash and cash equivalents held by trustees (3,233,597)

Cash and cash equivalents held by trustees, beginning of year	<u>7,122,370</u>
Cash and cash equivalents held by trustees, end of year	\$ <u>3,888,773</u>

Supplemental disclosure for cash flow information:

Cash paid for interest	\$ 724,412
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See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the entity

The Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio (the District) is a not-for-profit corporation established pursuant to Ohio Revised Code (ORC) Chapters 1702 and 1710. The energy special improvement district (ESID) was created by legislative action taken by participating political subdivisions and is governed by the District's board of trustees. Members of the District are the owners of parcels of property located within the ESID. The District was established to develop and implement special energy improvement projects as defined by ORC Chapter 1710, including energy efficiency and clean and renewable energy projects at locations within the ESID. The District and the ESID will be conducive to and promote the public health, safety, peace, convenience and general welfare by creating projects that conserve energy and create a cleaner environment, lead to energy independence, create jobs and economic growth and development, especially jobs in the new energy economy and promote the general welfare in the area of the ESID and the participating political subdivisions.

Nature of business

The purpose of the District is to provide financing through loans to businesses for energy efficiency and clean and renewable energy projects located with the jurisdiction of the ESID.

Management believes the financial statements included in this report represent all of the activities over which the District is financially accountable.

Basis of accounting

The financial statements of the District have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and cash equivalents held by trustees

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The District's cash and cash equivalents are held in trust accounts that are managed by bank trust departments. The accounts held by Huntington Bank are available for project costs and operating disbursements. The accounts held by Bank of New York Mellon are available for payments related to the bonds payable.

Notes receivable issuance costs

Notes receivable issuance costs are costs incurred related to the issuance of notes receivable. These costs are amortized over the term of the related notes. Unamortized notes receivable issuance costs at December 31, 2014 were \$434,670.

Deferred revenue

Deferred revenue represents fees charged to borrowers and is amortized over the term of the loan. Deferred revenue at December 31, 2014 was \$752,212.

Funds held on behalf of borrowers

Funds held on behalf of borrowers represent a reserve withheld from funds disbursed to borrowers as collateral. The funds will be held until the loans are paid off at which time the amount will be recorded as the last payment or refunded to the borrower. Funds held on behalf of borrowers at December 31, 2014 were \$1,586,845.

Revolving loan fund

In 2014, the District received a Department of Energy grant in the amount of \$3,048,497 from the Toledo-Lucas County Port Authority which is a revolving loan fund for energy efficiency and clean and renewable energy projects.

Revenue recognition

Grant income is recognized when received. Interest income from notes receivable, fee income and investment income is recognized when earned.

Net asset classifications

Net assets are classified based on the existence or absence of donor or program-imposed restrictions. Net assets are defined as follows:

Unrestricted net assets are not subject to donor or program-imposed stipulations or the donor-imposed restrictions have expired.

Temporarily restricted net assets include assets for which donor or program-imposed restrictions have not been met.

Permanently restricted net assets are subject to donor or program-imposed stipulations that they be maintained permanently by the District. Generally, the donor or grantor of these assets permits the District to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2014.

Income taxes

Pursuant to provisions of the Internal Revenue Code, the District has elected to be taxed as a corporation. Management has evaluated the District's income tax position and has concluded the income derived from its activities is excludable under Internal Revenue Code section 115(1) which provides that gross income for federal income tax purposes does not include income accruing to a state or political subdivision that is derived from the exercise of an essential government function. Therefore, no current or deferred federal income taxes exist.

The Financial Accounting Standards Board provides guidance on accounting for uncertainty in income taxes. Management has evaluated the District's tax position and concluded that the District has taken no uncertain tax provision that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the District is no longer subject to income tax examinations by the federal, state and local taxing authorities for years before 2011.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a natural basis in the statement of activities. Management believes that all expenses are related to programs.

2. NOTES RECEIVABLE

Notes receivable are loans to business located in Ohio for energy efficiency and clean and renewable energy projects. Principal and interest payments are required to be paid monthly directly to the District or semi-annually through special assessments on the borrowers' property taxes in an amount to fully amortize the loan over its term.

A summary of notes receivable at December 31, 2014 are as follows:

<u>Borrower</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Payment Amount</u>	<u>Balance</u>
Monthly payments:					
Maumee Valley Fabricators	12,350	08/10/15	3.50%	\$ 715	\$ 4,044
Charlie's Toledo, Inc.	369,355	01/01/17	4.50%	10,727	253,469
Whitaker Finishing, LLC	83,115	09/15/18	5.50%	1,501	60,318
IPS Energy-Collins Park Solar Project	1,040,000	03/15/22	5.25%	11,606	841,085
Sylvania Tam-O-Shanter Sports, Inc.	313,000	10/15/22	5.50%	3,397	258,947
Louisville Title	194,650	06/01/26	4.75%	1,588	187,249
Valentine Theatre	105,521	03/15/27	3.00%	729	90,053
Solscient Energy, LLC (GM)	1,177,920	05/01/27	4.32%	Various	1,091,441
Kistler Ford Sales, Inc.	198,101	11/15/27	5.50%	1,689	186,803
United North	304,000	12/01/27	5.50%	2,609	295,073
Solscient Energy, LLC (GM)	500,000	12/20/28	4.00%	3,698	475,167
Little Learners	45,000	11/15/37	6.00%	286	41,827
Semi-annual payments:					
Neighborhood Health Association	171,700	07/23/19	5.00%	20,209	171,950
JMS Real Estate	170,000	07/31/24	6.25%	12,191	100,880
Parking Authority	722,114	08/25/25	3.00%	31,097	631,359
TLCPA One Maritime Plaza	1,094,588	08/25/25	3.42%	48,421	954,406
UAW Local 12	521,000	07/31/26	4.75%	25,689	463,350
TLCPA Martin Luther King Plaza	460,686	08/28/26	3.00%	17,295	388,273
City of Toledo	5,325,000	10/15/26	5.48%	272,051	4,681,140
SKA Enterprises	128,774	07/31/27	5.81%	6,784	125,732
The Toledo Club	689,159	07/31/28	4.85%	Various	601,371
Toledo School of the Arts	1,361,452	07/31/28	4.69%	66,225	1,221,879
City of Oregon	1,751,175	07/31/28	3.90%	Various	311,918
TLCPA Toledo Express Airport	845,771	11/15/28	4.83%	Various	1,072,973
Job One USA	478,192	12/12/28	5.50%	Various	346,122
1800 Limited (Mannik & Smith)	161,389	07/31/29	5.75%	Various	158,849
405 Madison Limited, LLC	448,257	07/31/29	5.75%	Various	95,867
NZR	1,485,035	07/31/29	5.90%	Various	382,532
					<u>\$ 15,494,077</u>

Future principal payments of notes receivable for years succeeding 2014 are as follows:

December 31,	
2015	\$ 1,019,492
2016	1,282,027
2017	1,237,511
2018	1,285,185
2019	1,333,158
Thereafter	9,336,704
Total future maturities of notes receivable	\$ 15,494,077

3. BOND ISSUANCE COSTS

Bond issuance costs are cost incurred related to the issuance bonds payable. These costs are amortized over the term of the related bonds which range from 115 to 180 months. Unamortized bond issuance costs at December 31, 2014 were \$373,583.

Future amortizations of bond issuance costs for years succeeding 2014 are as follows:

December 31,	
2015	\$ 31,569
2016	31,569
2017	31,569
2018	31,569
2019	31,569
Thereafter	215,738
Total future amortization of bond costs	\$ 373,583

4. BONDS PAYABLE

The Northwest Ohio Bond Fund issues taxable revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and funds held in reserve and are payable solely from payments on notes receivable. The District has borrowed \$16,515,000 from the Northwest Ohio Bund Fund to provide financing through loans to businesses for energy efficiency and clean and renewable energy projects. Principal and interest payments are payable semi-annually in an amount that will amortize the loans over their term until maturity.

Northwest Ohio Advanced Energy Improvement District
Lucas County
Notes to the Financial Statements
December 31, 2014

A summary of bonds payable to the Northwest Ohio Bond Fund at December 31, 2014 is as follows:

	<u>Face</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u>	<u>Held in</u> <u>Reserve</u>
2012B	\$ 5,325,000	11/15/26	4.67%	\$ 5,065,000	\$ 532,500
2012C-1	1,840,000	05/15/22	4.32%	1,615,000	184,000
2012C-2	3,055,000	05/15/27	4.32%	2,845,000	305,500
2012C-3	1,540,000	05/15/27	4.32%	1,435,000	154,000
2013A-1	360,000	11/15/23	4.83%	360,000	36,000
2013A-2	2,600,000	11/15/28	4.83%	2,600,000	260,000
2013A-3	1,795,000	11/15/28	4.83%	1,795,000	179,500
				<u>\$ 15,715,000</u>	<u>\$ 1,651,500</u>

Future maturities of bonds payable for years succeeding 2014 are as follows:

<u>December 31,</u>	
2015	\$ 775,000
2016	925,000
2017	975,000
2018	1,040,000
2019	1,100,000
Thereafter	<u>10,900,000</u>
Total future maturities of bonds payable	<u>\$ 15,715,000</u>

5. RELATED PARTY TRANSACTIONS

In 2014, the District received a Department of Energy grant in the amount of \$3,048,497 from the Toledo-Lucas County Port Authority (Authority). At December 31, 2014, the District also has outstanding advances with the Authority of \$1,825,061 and outstanding notes receivable of \$3,047,011.

6. SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 13, 2017, the date the financial statements were available to be issued.

On October 1, 2015, the District borrowed an additional \$5,465,000 from The Northwest Ohio Bond Fund to provide financing through loans to businesses for energy efficiency and clean and renewable energy projects. The bonds have an interest rate of 4.35% and mature on November 15, 2030. The first principal and interest payment is due on May 15, 2016.

**NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Toledo-Lucas County Port Authority</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program	EE0003566	81.128	\$669,975

The accompanying notes are an integral part of this schedule.

**NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) reports the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio (the District's) federal award program's disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northwest Ohio Advanced Energy Improvement District
Lucas County
One Maritime Plaza, Suite 701
Toledo, Ohio 43604

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District'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 District'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 Entity'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 District'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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northwest Ohio Advanced Energy Improvement District
Lucas County
One Maritime Plaza, Suite 701
Toledo, Ohio 43604

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio (the District's) 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 the District's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District'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 District's compliance for the District'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 District'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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Northwest Ohio Advanced Energy Improvement District, Lucas County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Other Matters

The results of our audit procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-001. This finding did not require us to modify our compliance opinion on the major federal program.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District'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 District'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 District'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.

Northwest Ohio Advanced Energy Improvement District
Lucas County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 3

This report only describes the scope of our internal control over 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2017

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**NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any 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 internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #81.128 – ARRA – Energy Efficiency and Conservation Block Grant Program
(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

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2014-001

Noncompliance Citation

29 C.F.R. § 99.200, Audits of States, Local Governments, and Non-Profit Organizations, as published on 6/27/2003, provides that Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of Part 99.

29 C.F.R. § 99.320 requires the audit to be completed and the data collection form and reporting package to be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The District expended greater than \$500,000 in Federal awards during the audit period and did not have a single audit or a program-specific audit conducted to meet the nine month deadline, and an extension was not received to this filing requirement.

Failure to have a timely single audit or program-specific audit conducted could result in inaccurate federal reporting and a default in federal funding. We recommend the District have single audits or program-specific audits conducted within the nine month deadline for any year in which they exceed the single audit threshold for expenditures.

Officials' Response:

See Planned Corrective Action on the following page.

**NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
LUCAS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The District will complete any audit(s) required by Federal law within the Federal timeline(s). For 2016, no Federal audit is required.	Each year this will be addressed.	Thomas J. Winston, Treasurer

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Dave Yost • Auditor of State

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT

LUCAS 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
APRIL 6, 2017**