



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, 2015, 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, 2015, 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 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2017

Northwest Ohio Advanced Energy Improvement District  
 Lucas County  
 Statement of Financial Position  
 December 31, 2015

Assets

Current assets:

Cash and cash equivalents held by trustees	\$ 4,801,120
Current portion of notes receivable	1,537,997
Accounts receivable	144,299
Advance to Toledo-Lucas County Port Authority	2,808,114
Interest receivable	<u>250,285</u>
	9,541,815

Noncurrent assets:

Notes receivable, net of current portion	17,141,742
Bond issuance costs	603,871
Accumulated amortization of bond issuance costs	<u>(96,831)</u>
	<u>17,648,782</u>
	\$ <u>27,190,597</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 5,432
Current portion of bonds payable	1,165,000
Accrued interest	<u>117,359</u>
	1,287,791

Noncurrent liabilities:

Bonds payable, net of current portion	19,240,000
Notes receivable issuance costs, net of amortization	539,368
Deferred revenue	690,457
Funds held on behalf of borrowers	<u>2,057,108</u>
	<u>22,526,933</u>
	<u>23,814,724</u>

Net assets:

Unrestricted	375,873
Temporarily restricted	<u>3,000,000</u>
	<u>3,375,873</u>
	\$ <u>27,190,597</u>

See accompanying notes to the financial statements.

Northwest Ohio Advanced Energy Improvement District  
 Lucas County  
 Statement of Activities  
 December 31, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues:			
Interest income from notes receivable	\$ 1,065,540	-	1,065,540
Fee income	179,412	-	179,412
Investment income	<u>8,072</u>	<u>-</u>	<u>8,072</u>
Total revenues	1,253,024	-	1,253,024
Program expenses:			
Interest expense on bonds payable	768,423	-	768,423
Bond administration fees	105,289	-	105,289
Legal and other professional fees	47,282	-	47,282
Amortization of bond issuance costs	34,818	-	34,818
Trustee fees	16,252	-	16,252
Other operating expenses	<u>1,784</u>	<u>-</u>	<u>1,784</u>
Total program expenses	<u>973,848</u>	<u>-</u>	<u>973,848</u>
Change in net assets	279,176	-	279,176
Net assets, beginning of year	<u>96,697</u>	<u>3,000,000</u>	<u>3,096,697</u>
Net assets, end of year	<u>\$ 375,873</u>	<u>3,000,000</u>	<u>3,375,873</u>

See accompanying notes to the financial statements.



## Northwest Ohio Advanced Energy Improvement District

Lucas County

## Statement of Cash Flows

December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 279,176
Adjustments to reconcile net change in net assets to net cash used in operating activities:	
Amortization of bond issuance costs	34,818
Amortization of notes receivable issuance costs	(47,036)
Change in operating assets and liabilities:	
Increase in interest receivable	(217,279)
Decrease in accounts payable	(14,350)
Increase in accrued interest	25,757
Decrease in deferred revenue	<u>(61,755)</u>
Net cash used in operating activities	<u>(669)</u>
Cash flows from investing activities:	
Principal payments received on note receivable	1,174,574
Cash paid to or on behalf of borrowers	(3,800,230)
Cash advanced to Toledo-Lucas County Port Authority	(1,771,391)
Payments received on advance from Toledo-Lucas County Port Authority	<u>788,338</u>
Net cash used in investing activities	<u>(3,608,709)</u>
Cash flows from financing activities:	
Proceeds from the issuance of bonds payable	5,465,000
Principal payments on bonds payable	(775,000)
Cash paid for bond issuance costs	<u>(168,275)</u>
Net cash provided by financing activities	<u>4,521,725</u>
Net increase in cash and cash equivalents held by trustees	912,347
Cash and cash equivalents held by trustees, beginning of year	<u>3,888,773</u>
Cash and cash equivalents held by trustees, end of year	\$ <u>4,801,120</u>
Supplemental disclosure for cash flow information:	
Cash paid for interest	\$ 742,666

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 financial statements, 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 cost incurred related to the issuance notes receivable. These costs are amortized over the term of the related notes. Unamortized notes receivable issuance costs at December 31, 2015 were \$539,368.

### **Deferred revenue**

Deferred revenue represents fees charged to borrowers and is amortized over the term of the loan. Deferred revenue at December 31, 2015 was \$690,457.

**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, 2015 were \$2,057,108.

**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**

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, 2015.

**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.

**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.

Northwest Ohio Advanced Energy Improvement District  
Lucas County  
Notes to the Financial Statements  
December 31, 2015

A summary of notes receivable at December 31, 2015 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>
<b>Monthly payments:</b>					
Charlie's Toledo, Inc.	369,355	01/01/17	4.50%	\$ 10,727	\$ 133,703
Whitaker Finishing, LLC	83,115	09/15/18	5.50%	1,501	45,248
IPS Energy-Collins Park Solar Project	1,040,000	03/15/22	5.25%	11,606	743,652
Sylvania Tam-O-Shanter Sports, Inc.	313,000	10/15/22	5.50%	3,397	231,748
Louisville Title	194,650	06/01/26	4.75%	1,588	175,954
Valentine Theatre	105,521	03/15/27	3.00%	729	83,926
Solscient Energy, LLC (GM)	1,177,920	05/01/27	4.32%	Various	1,032,859
Kistler Ford Sales, Inc.	198,101	11/15/27	5.50%	1,689	176,569
United North	304,000	12/01/27	5.50%	2,609	279,340
Solscient Energy, LLC (GM)	500,000	12/20/28	4.00%	3,698	451,515
Little Learners	45,000	11/15/37	6.00%	286	41,671
<b>Semi-annual payments:</b>					
Neighborhood Health Association	171,700	07/23/19	5.00%	20,209	145,493
JMS Real Estate	170,000	07/31/24	6.25%	12,191	159,272
Rupp Unlimited Property Partnership, LLC	91,473	07/31/25	4.45%	5,648	1,514
Parking Authority	722,114	08/25/25	3.00%	31,097	600,415
TLCPA One Maritime Plaza	1,094,588	08/25/25	3.42%	48,421	889,676
Kettering Tower	2,335,000	11/15/25	4.35%	Various	391,643
UAW Local 12	521,000	07/31/26	4.75%	25,689	433,753
TLCPA Martin Luther King Plaza	460,686	08/28/26	3.00%	17,295	392,476
City of Toledo	5,325,000	10/15/26	5.48%	272,051	4,747,383
SKA Enterprises	128,774	07/31/27	5.81%	6,784	116,065
The Toledo Club	689,159	07/31/28	4.85%	Various	672,337
Toledo School of the Arts	1,361,452	07/31/28	4.69%	66,225	1,295,889
City of Oregon	1,751,175	07/31/28	3.90%	Various	1,673,071
TLCPA Toledo Express Airport	845,771	11/15/28	4.83%	Various	826,527
Job One USA	478,192	12/12/28	5.50%	Various	393,280
1800 Limited (Mannik & Smith)	161,389	07/31/29	5.75%	Various	158,695
405 Madison Limited, LLC	448,257	07/31/29	5.75%	Various	455,223
NZR	1,485,035	07/31/29	5.90%	Various	616,844
JA2 Investment, LLC	127,500	07/31/30	4.75%	6,100	54,658
Torrey Hill Apartments	169,000	07/31/30	5.50%	8,455	156,639
Maumee Valley Movers	242,019	11/15/30	4.10%	Various	450
Barron's Lawn Servie	175,000	11/15/30	4.50%	8,629	108,269
Top of the Market	655,000	11/15/30	4.65%	Various	141,030
Briarwood Management Project	1,260,000	11/15/35	4.35%	Various	852,952
					<u>\$ 18,679,739</u>

Future principal payments of notes receivable for years succeeding 2015 are as follows:

December 31,	
2016	\$ 1,537,997
2017	1,501,100
2018	1,559,986
2019	1,624,234
2020	1,668,774
Thereafter	10,787,648
Total future maturities of notes receivable	\$ 18,679,739

### 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, 2015 were \$507,040.

Future amortization of bond issuance costs for years succeeding 2015 are as follows:

December 31,	
2016	\$ 44,566
2017	44,566
2018	44,566
2019	44,566
2020	44,566
Thereafter	284,210
Total future amortization of bond costs	\$ 507,040

### 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 \$21,980,000 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, 2015

A summary of bonds payable to the Northwest Ohio Bond Fund at December 31, 2015 is as follows:

	<u>Face Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Held in Reserve</u>
2012B	\$ 5,325,000	11/15/26	4.67%	\$ 4,790,000	\$ 532,500
2012C-1	1,840,000	05/15/22	4.32%	1,455,000	184,000
2012C-2	3,055,000	05/15/27	4.32%	2,695,000	305,500
2012C-3	1,540,000	05/15/27	4.32%	1,360,000	154,000
2013A-1	360,000	11/15/23	4.83%	345,000	36,000
2013A-2	2,600,000	11/15/28	4.83%	2,540,000	260,000
2013A-3	1,795,000	11/15/28	4.83%	1,755,000	179,500
2015B-1	1,260,000	11/15/30	4.35%	1,260,000	126,000
2015B-2	655,000	11/15/30	4.35%	655,000	65,500
2015B-3	1,215,000	11/15/30	4.35%	1,215,000	121,500
2015B-4	670,000	11/15/30	4.35%	670,000	67,000
2015B-5	1,665,000	11/15/30	4.35%	1,665,000	166,500
				<u>\$ 20,405,000</u>	<u>\$ 2,198,000</u>

Future maturities of bonds payable for years succeeding 2015 are as follows:

<u>December 31,</u>	
2016	\$ 1,165,000
2017	1,270,000
2018	1,350,000
2019	1,425,000
2020	1,500,000
Thereafter	<u>13,695,000</u>
Total future maturities of bonds payable	<u>\$ 20,405,000</u>

**5. RELATED PARTY TRANSACTIONS**

At December 31, 2015, the District has outstanding advances with the Toledo-Lucas Country Port Authority (Authority) of \$2,808,114 and outstanding notes receivable of \$2,709,094.

## **6. SUBSEQUENT EVENTS**

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

On June 8, 2015, the District negotiated a loan agreement for \$1,740,087 with the Authority to provide financing through loans to businesses for energy efficiency and clean and renewable energy projects. The loan agreement was not finalized and the funds were not received until early in 2016. The note has an interest rate of 1% and matures on September 15, 2028. The first semi-annual principal and interest payment is due on March 15, 2016.

On August 4, 2016, the District borrowed \$150,000 from the Authority to cover the costs associated with the Property Assessed Clean Energy (PACE) residential financing program that will be operated in partnership with the Lucas County Land Bank's Home Heritage Program. The note has an interest rate of 3% and matures on May 1, 2032. The first semi-annual principal and interest payment is due on November 1, 2017.

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# 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, 2015, 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 District'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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Noncompliance citation with OMB Circular A-133 § .320, failure to timely complete single audit.	Finding no longer valid.	The District did not require a single audit for 2015.

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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**