



Certified Public Accountants, A.C.

**NORTHWEST OHIO ADVANCED ENERGY
IMPROVEMENT DISTRICT
LUCAS COUNTY
FY 2018 Audit
For the Year Ended December 31, 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board Members
Northwest Ohio Advanced Energy Improvement District
One Maritime Plaza
Suite 701
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Northwest Ohio Advanced Energy Improvement District, Lucas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. 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 Northwest Ohio Advanced Energy Improvement District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 13, 2019

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

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INDEPENDENT AUDITOR'S REPORT

May 6, 2019

Northwest Ohio Advanced Energy Improvement District
Lucas County
One Maritime Plaza, Suite 701
Toledo, OH 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 organization) which comprise the statement of financial position as of and for the year ended December 31, 2018, and the related statements of activities and cash flows for the year ended, 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 the risks of material financial statement 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 the overall financial statement presentation.

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Auditor's Responsibility (Continued)

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District has elected to implement FASB ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets

Cash	\$	91,533
Cash and cash equivalents held by trustees		4,554,528
Current portion of notes receivable		2,806,623
Accounts receivable		43,749
Interest receivable		656,281
Total current assets		8,152,714

Noncurrent assets

Notes receivable, net of current portion and unexpended funds		30,803,688
Total noncurrent assets		30,803,688

Total assets	\$	38,956,402
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LIABILITIES AND NET ASSETS

Current liabilities

Current portion of bonds payable	\$	2,205,000
Management fee payable - Toledo-Lucas County Port Authority		411,084
Unearned revenue		54,445
Current portion of notes payable		151,418
Accrued interest		165,175
Total current liabilities		2,987,122

Noncurrent liabilities

Bonds payable, net of current portion and unamortized bond issuance costs		26,248,240
Notes payable, net of current portion		1,647,957
Notes receivable issuance costs, net of amortization		988,349
Prepaid fees		498,431
Funds held on behalf of borrowers		3,006,590
Total noncurrent liabilities		32,389,567

Net assets

Net assets without donor restrictions		579,713
Net assets with donor restrictions		3,000,000
Total net assets		3,579,713

Total liabilities and net assets	\$	38,956,402
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The accompanying notes are an integral part of these financial statements.

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Net assets Without Donor Restrictions	Net assets With Donor Restrictions	Total
Revenues			
Interest income from notes receivable	\$ 1,887,789	\$ 0	\$ 1,887,789
Fee income	204,671		204,671
Investment income	91,283		91,283
Total revenue	<u>2,183,743</u>	<u>0</u>	<u>2,183,743</u>
Expenses			
Interest expense on bonds payable	1,345,727	0	1,345,727
Bond administration fees	181,283		181,283
Legal and other professional fees	58,191		58,191
Amortization of bond issuance costs	71,497		71,497
Trustee fees	22,230		22,230
Management fee	411,084		411,084
Total expenses	<u>2,090,012</u>	<u>0</u>	<u>2,090,012</u>
Change in net assets	93,731	0	93,731
Net assets, beginning of year	<u>485,982</u>	<u>3,000,000</u>	<u>3,485,982</u>
Net assets, end of year	<u><u>\$ 579,713</u></u>	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 3,579,713</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities		
Change in net assets		\$ 93,731
Adjustments to reconcile net change in net assets to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs		71,497
Amortization income - deferred revenue and note receivable issuance costs		(150,058)
Changes in operating assets and liabilities:		
Change in:		
Accounts receivable		108,854
Interest receivable		(132,225)
Accounts payable		(21,239)
Related party payable		(169,976)
Unearned revenue		54,445
Accrued interest		15,157
	Net cash used in operating activities	<u>(129,814)</u>
Cash flows from investing activities		
Principal payments received on notes receivable		2,250,710
Advances made to borrowers		(4,852,441)
Cash received from Toledo-Lucas County Port Authority		1,170,553
	Net cash used in investing activities	<u>(1,431,178)</u>
Cash flows from financing activities		
Proceeds from the issuance of notes payable		150,000
Payments on notes payable		(136,800)
Payments on bonds payable		(1,780,000)
	Net cash used in financing activities	<u>(1,766,800)</u>
Net decrease in cash and cash equivalents		<u>(3,327,792)</u>
Cash and cash equivalents at beginning of year		7,973,853
Cash and cash equivalents at end of year		<u><u>\$ 4,646,061</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

Note 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 of notes receivable. These costs are amortized over the term of the related notes. Unamortized notes receivable issuance costs at December 31, 2018 were \$988,349.

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 1—Summary of significant accounting policies – continued

Prepaid fees

Prepaid fees represent fees charged to borrowers and is amortized over the term of the loan. Prepaid fees at December 31, 2018 was \$498,431.

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, 2018 were \$3,006,590.

Revenue recognition

Interest income from notes receivable, fee income and investment income are recognized ratably as it accrues.

Net assets

The net assets without restriction are not restricted by donors, or the donor-imposed restrictions have expired. Net assets with donor restrictions are segregated on the accompanying statement of financial position.

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.

Management is required to determine whether a tax position of the District is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. With few exceptions, the District is no longer subject to U.S. federal, state or local tax examinations for years before 2015. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the District's assessment of many factors, including past experience and judgments about future events, the District does not currently anticipate significant changes in its uncertain tax positions over the next 12 months.

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 1–Summary of significant accounting policies – continued

New accounting pronouncements

On August 18, 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update 2016-14 (ASU 2016-14), Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective on a retrospective basis for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The District has implemented this standard in its 2018 financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The District has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Note 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, 2018 is as follows:

Loan	Original Amount	Maturity Date	Interest Rate	Payment Amount	Balance
Monthly payments:					
IPS Energy-Collins Park Solar Project	\$1,040,000	3/15/2022	4.50%	11,354	\$ 411,253
Sylvania Tam-O-Shanter Sports, Inc.	313,000	10/15/2022	5.50%	3,397	140,594
Louisville Title	194,650	6/1/2026	4.75%	1,588	120,073
Valentine Theatre	105,521	3/15/2027	3.00%	729	63,837
Solscient Energy, LLC (GM)	1,177,920	5/1/2027	4.32%	Various	841,421
Kistler Ford Sales, Inc.	198,101	11/15/2027	5.50%	1,689	142,599
Solscient Energy, LLC (GM)	500,000	12/20/2028	4.00%	3,698	365,295
Little Learners	45,000	11/15/2037	6.00%	286	31,848

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 2—Notes receivable – continued

A summary of notes receivable at December 31, 2018 is as follows, continued:

Loan	Original Amount	Maturity Date	Interest Rate	Payment Amount	Balance
Semi-annual payments:					
City of Toledo ESID 1-40	5,325,000	10/15/2026	5.48%	Various	4,019,533
United North	304,000	12/1/2027	5.50%	15,654	257,963
UAW Local 12	521,000	7/31/2026	4.75%	25,689	338,657
Job One USA	478,192	12/12/2028	5.50%	Various	383,274
JMS Real Estate	170,000	7/31/2024	6.25%	12,191	120,453
The Toledo Club	689,159	7/31/2028	4.85%	Various	554,960
City of Oregon	1,751,175	7/31/2028	3.90%	Various	1,342,630
Toledo School of the Arts	1,361,452	7/31/2028	4.69%	66,225	1,091,178
405 Madison Limited, LLC	448,257	7/31/2029	5.75%	Various	395,753
1800 Limited (Mannik & Smith)	161,389	7/31/2029	5.75%	Various	136,903
NZR	1,485,035	7/31/2029	5.90%	Various	1,108,473
Kettering Tower	2,335,000	11/15/2025	4.35%	Various	1,815,000
Top of the Market	655,000	11/15/2030	4.65%	Various	565,000
Maumee Valley Movers	242,019	11/15/2030	4.10%	Various	224,310
Barron's Lawn Service	175,000	11/15/2030	4.50%	8,629	158,862
Briarwood Management Project	1,260,000	11/15/2035	4.35%	Various	1,165,000
Rupp Unlimited Property Partnership	91,473	7/31/2025	4.45%	5,648	75,333
B&B	1,305,000	11/15/2030	4.95%	Various	1,175,000
S&G (Fairlawn)	365,000	7/31/2025	4.70%	Various	305,000
Findlay Surgical Center	1,095,000	7/31/2031	4.25%	Various	1,040,000
Springfield Fire Station	685,000	7/31/2031	5.25%	Various	655,000
Stone Family Enterprises	280,000	7/31/2031	5.25%	Various	275,000
TEA TronAir	347,211	7/31/2027	3.57%	Various	333,068
2552 Torrey Hill Apartments	135,000	7/31/2031	5.35%	Various	135,000
Hale Performance	565,000	7/31/2031	5.35%	Various	545,000
1945 Ottawa Drive - Torrey Hill	135,000	7/31/2031	5.35%	7,738	148,952
Beauty Bar	30,424	7/31/2032	5.00%	1,606	30,424
Crane Development	81,223	7/31/2027	5.00%	5,457	75,538
Lima Chamber of Commerce	36,920	7/31/2027	5.00%	2,464	34,110
Marshall Fitness	44,650	7/31/2027	5.00%	3,000	41,524
JAM III Enterprises	76,100	7/31/2032	5.00%	3,846	72,833
Liberty Ridge	916,705	7/31/2032	5.00%	46,329	877,349
Valico, LLC	82,857	7/31/2032	5.00%	4,202	79,577
920 Illinois Ave, LLC	3,660,000	7/1/2032	4.53%	Various	3,585,000
Imagine Baking	417,652	7/31/2032	5.00%	21,181	402,658

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 2—Notes receivable – continued

A summary of notes receivable at December 31, 2018 is as follows, continued:

Loan	Original Amount	Maturity Date	Interest Rate	Payment Amount	Balance
Toledo Legal Building, Ltd	99,106	7/31/2032	5.00%	5,080	96,190
Bluffton Family Recreation	101,535	7/31/2032	5.00%	5,300	100,368
Barone Brothers, LLC	1,806,777	7/31/2033	5.00%	91,289	1,806,777
Liberty Ridge II	1,328,315	7/31/2043	5.30%	51,713	1,328,315
KG Funding LLC	126,278	7/31/2033	5.15%	6,270	126,278
Vibrant Ventures, LLC	515,449	7/31/2033	5.15%	25,665	515,449
Anthony M. Fronk LLC	86,864	7/31/2033	5.15%	4,314	86,864
DOGR Properties, LLC	800,000	7/31/2033	5.15%	39,724	800,000
13 North Huron	55,182	7/31/2031	5.00%	2,662	50,298
JA2 Investments, LLC	127,500	7/31/2030	4.75%	6,100	113,939
Art Iron	266,016	7/31/2031	5.00%	Various	248,844
Springfield TWP Station	166,629	7/31/2031	5.00%	7,923	149,687
16 Broadway St	79,560	7/31/2031	5.00%	3,858	74,001
Jamaican Spice	59,670	7/31/2026	5.00%	3,758	59,670
Torrey Hill Apartments	169,000	7/31/2030	5.50%	8,920	164,151
Dealer Portfolio Solutions	43,860	7/30/2026	5.00%	2,797	36,435
SKA Enterprises	128,774	7/31/2027	5.81%	6,784	94,050
Neighborhood Health Association	171,700	7/23/2019	5.00%	20,210	38,951
Radon Environmental	26,269	7/31/2026	5.00%	Various	21,718
Stevens Venture	101,760	7/31/2022	5.35%	11,802	83,888
City of Northwood	81,593	7/31/2022	5.00%	10,913	81,593
TEA TronAir	100,000	7/31/2027	4.00%	Various	95,884
City of Toledo	51,195	10/15/2026	5.48%	4,805	51,195
KMP Management	95,815	7/31/2022	5.00%	12,127	86,494
107 LLC	76,500	7/31/2024	4.75%	7,286	74,907
J-Zamm Properties LLC	11,480	7/31/2023	5.00%	1,319	11,480
Mapleway	14,745	12/31/2027	4.25%	959	14,154
Hollywyck	17,050	12/31/2027	4.25%	1,101	16,247
Robinwood	28,013	12/31/2027	4.25%	1,796	26,492
Parkwood	12,121	12/31/2027	4.25%	777	11,463
Bronx	13,867	12/31/2027	4.25%	930	13,712
Walsh	7,182	12/31/2027	4.25%	460	6,792
Airline	6,980	12/31/2027	4.25%	447	6,601
Lowes	10,285	12/31/2027	4.25%	659	9,727
Williamsdale	9,703	12/31/2027	4.25%	600	8,875

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 2—Notes receivable – continued

A summary of notes receivable at December 31, 2018 is as follows, continued:

Loan	Original Amount	Maturity Date	Interest Rate	Payment Amount	Balance
Acklin	11,200	12/31/2027	4.25%	692	10,707
Continental	9,449	12/31/2027	4.25%	586	8,674
Barclay	6,970	12/31/2027	4.25%	434	6,420
Glenwood	6,113	12/31/2027	3.50%	366	5,609
Robinwood	14,164	12/31/2027	3.50%	851	13,035
Laclede	7,669	7/31/2026	3.50%	480	6,691
Wetzler	13,079	7/31/2026	3.50%	818	11,927
Meadowwood	24,454	7/31/2026	3.50%	1,548	21,418
Rollins	8,946	7/31/2026	3.50%	561	7,767
Gould	9,897	7/31/2026	3.50%	621	8,593
Heatherwood	18,830	7/31/2026	3.50%	1,185	16,529
Birchall	8,535	7/31/2026	3.50%	537	7,432
Belmar	6,718	7/31/2026	3.50%	424	5,866
Berwick	4,336	7/31/2026	3.50%	273	3,775
Carthage	12,486	7/31/2026	3.50%	786	10,872
Scottwood-Lange	7,665	7/31/2027	4.25%	505	7,450
Collingwood-Kosmyna	14,350	7/31/2027	4.25%	952	14,048
Scottwood-Wortham	9,404	7/31/2027	4.25%	629	9,273
Scottwood-Connelly	11,200	7/31/2028	4.25%	697	11,200
286th St-Carlucci	6,500	7/31/2028	4.25%	403	6,500
Mont Royal-Thompson	7,700	7/31/2028	4.25%	477	7,700
Darrow-Echols	3,815	7/31/2028	4.25%	241	3,735
Clifton-Penamon	7,697	7/31/2028	4.25%	490	7,541
Sherbrooke-Nelms	9,751	7/31/2029	4.25%	624	9,751
Hudson-Huguley	8,700	7/31/2029	4.25%	555	8,700
Winthrop-Furia	4,809	7/31/2029	4.25%	307	4,809
Letchworth-Adams	5,488	7/31/2029	4.25%	350	5,488
					\$ 32,434,234

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 2—Notes receivable – continued

A summary of notes receivable at December 31, 2018 is as follows, continued:

Semi-annual payments - related parties:

Loan	Original Amount	Maturity Date	Interest Rate	Payment Amount	Balance
Park Smart	722,114	8/25/2025	3.00%	36,000	\$ 453,796
TLCPA One Maritime Plaza	1,094,588	8/25/2025	3.42%	52,500	690,492
TLCPA Martin Luther King Plaza	460,686	8/28/2026	3.00%	17,135	305,284
TLCPA TEA Terminal Roof	1,810,000	7/31/2027	4.80%	Various	1,670,000
TLCPA Two Maritime Plaza	545,000	7/31/2031	5.00%	Various	515,000
TLCPA TAA Hangar	473,463	7/31/2032	4.20%	23,647	473,463
TLCPA TEA Maintenance	27,874	7/31/2022	5.00%	3,242	23,220
TLCPA TEA Lighting Project	62,990	7/31/2025	3.88%	4,922	62,990
TLCPA Toledo Express Airport	845,771	11/15/2028	4.83%	Various	747,740
					<u>4,941,985</u>
				Total notes receivable	37,376,219
				Less current portion	<u>(2,806,623)</u>
					34,569,596
				Less unexpended funds	<u>(3,765,908)</u>
				Notes receivable, net of current portion and unexpended funds	<u><u>\$ 30,803,688</u></u>

Future principal payments of notes receivable for years succeeding 2018 are as follows:

December 31,	
2019	\$ 2,806,623
2020	2,848,080
2021	2,981,622
2022	3,022,606
2023	3,050,235
Thereafter	<u>22,667,053</u>
Total future maturities of notes receivable	<u><u>\$ 37,376,219</u></u>

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 3—Long-term debt

The Northwest Ohio Bond Fund issues taxable and tax-exempt 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 \$34,950,000 from the Northwest Ohio Bond 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.

A summary of bonds payable to the Northwest Ohio Bond Fund at December 31, 2018 is as follows:

	Face Amount	Maturity Date	Interest Rate	Balance	Bond Reserve
2012B	\$ 5,325,000	11/15/26	4.67%	3,870,000	\$ 532,500
2012C-1	1,840,000	05/15/22	4.32%	930,000	184,000
2012C-2	3,055,000	05/15/27	4.32%	2,200,000	305,500
2012C-3	1,540,000	05/15/27	4.32%	1,110,000	154,000
2013A-1	360,000	11/15/23	4.83%	250,000	36,000
2013A-2	2,600,000	11/15/28	4.83%	2,155,000	260,000
2013A-3	1,795,000	11/15/28	4.83%	1,485,000	179,500
2015B-1	1,260,000	11/15/30	4.35%	1,140,000	126,000
2015B-2	655,000	11/15/30	4.35%	565,000	65,500
2015B-3	1,215,000	11/15/30	4.35%	1,100,000	121,500
2015B-4	670,000	11/15/30	4.35%	520,000	67,000
2015B-5	1,665,000	11/15/30	4.35%	1,295,000	166,500
2017A-1	2,455,000	11/15/27	3.57%	2,255,000	245,500
2017A-2	4,240,000	11/15/31	3.88%	4,010,000	424,000
2017D-1	175,000	11/15/27	4.20%	175,000	17,500
2017D-2	2,010,000	11/15/32	4.20%	2,010,000	201,000
2017D-3	440,000	11/15/32	4.20%	440,000	44,000
2017D-4	3,650,000	11/15/32	4.20%	3,650,000	365,000
		Total bonds payable		<u>\$ 29,160,000</u>	<u>\$ 3,495,000</u>
		Less unamortized bond issuance costs		<u>(706,763)</u>	
				28,453,237	
		Less current portion		<u>(2,205,000)</u>	
		Bonds payable net of current portion and unamortized bond issuance costs		<u>\$ 26,248,237</u>	

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 3—Long-term debt – continued

A summary of notes payable outstanding at December 31, 2018 is as follows:

	Original Amount	Maturity Date	Interest Rate	Balance
ODSA	\$ 1,740,087	09/15/28	1.00%	\$ 1,358,318
TLCPA	150,000	05/01/32	3.00%	140,981
TLCPA	150,000	05/01/33	3.00%	150,076
TLCPA	150,000	11/01/33	3.00%	150,000
		Total notes payable		1,799,375
		Less current portion		(151,418)
		Notes payable net of current portion		<u>\$ 1,647,957</u>

During 2018, the District borrowed an additional \$150,000 from the Toledo-Lucas County Port Authority (the Authority) at 3% interest due in November 2033.

Future maturities of long-term debt payable for years succeeding 2018 are as follows:

December 31,	
2019	\$ 2,356,418
2020	2,477,110
2021	2,599,214
2022	2,816,357
2023	2,658,537
Thereafter	18,051,739
Total future maturities of long-term debt	<u>\$ 30,959,375</u>

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. Amortization of bond issuance costs included in interest expense amounted to \$71,497 in 2018.

Future amortization of bond issuance costs for years succeeding 2018 are as follows:

December 31,	
2019	\$ 71,500
2020	71,500
2021	71,500
2022	71,500
2023	71,500
Thereafter	349,263
Total future amortization of bond costs	<u>\$ 706,763</u>

NORTHWEST OHIO ADVANCED ENERGY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
December 31, 2018

Note 4–Related party transactions

On January 1, 2014, the District entered into an administrative agreement with the Authority to provide support services and resources. The management fee associated with the agreement is equal to the increase in net assets for the calendar year not to exceed \$300,000. The management fee can be increased at the discretion of the Authority if the cost to provide the support services and resources exceeds the then-existing management fee. The fee is determined based on the audited increase in net assets prior to the management fee and becomes payable 30 days after the annual audit has been released. The management fee for the year ended December 31, 2018 was \$411,084 which represents the increase in net assets for 2017 and is a payable to the Authority as of December 31, 2018.

At December 31, 2018, the District has outstanding notes receivable of \$4,941,985.

Note 5–Subsequent events

The District has evaluated subsequent events through May 6, 2019, the date the financial statements were available to be issued, and determined that there are no additional events which require recording or disclosure other than as noted below.

Note 6–Liquidity

The following reflects the District’s financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end per statement of financial position	\$ 38,956,402
Less: notes receivable, net of current portion and unexpended funds	(30,803,688)
Less: those not available for general expenditures within one year due to	
Cash and cash equivalents held by trustees	(4,554,528)
Financial assets available to meet cash needs for general expenditures	
within one year	\$ 3,598,186

Operations of the District are substantially funded through monies borrowed from bonds and commercial loans, used to fund loans to property owners for improvements.

Note 7- Methods used for allocation of expenses

The financial statements report all categories of expenses to be attributable to one program or supporting function. Therefore, these expenses do not require allocation as they are attributable to either program expense or management and general expenses.

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

May 6, 2019

Northwest Ohio Advanced Energy Improvement District
Lucas County
One Maritime Plaza, Suite 701
Toledo, OH 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 statement of financial position of the **Northwest Ohio Advanced Energy Improvement District**, Lucas County (the District) (a nonprofit organization) as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 6, 2019, wherein we noted the District implemented FASB ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

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

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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 that 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 Association'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.



Perry and Associates
Certified Public Accountants,
A.C. Marietta, Ohio

OHIO AUDITOR OF STATE
KEITH FABER



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
JUNE 25, 2019**