OHIO AIR QUALITY DEVELOPMENT AUTHORITY

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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Ohio Air Quality Development Authority
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We have reviewed the *Independent Auditor's Report* of the Ohio Air Quality Development Authority, Franklin County, prepared by Rea & Associates, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 Ohio Air Quality Development Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2021

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Ohio Air Quality Development Authority
Franklin County, Ohio
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Rea & associates a brighter way

Ohio Air Quality Development Authority
Franklin County, Ohio
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Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Ohio Air Quality Development Authority (the Authority), a component unit of the State of Ohio, Franklin County, Ohio, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Ohio Air Quality Development Authority, Franklin County, Ohio, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2, the basic financial statements of the Authority are intended to present the financial position, the changes in financial position, and, where applicable, cash flows thereof of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2021, the changes in financial position, or, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 10, the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the Authority. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 1, 2021

This discussion and analysis section of the Ohio Air Quality Development Authority (OAQDA) annual financial report provides an overall review of OAQDA's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at OAQDA's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of OAQDA's financial performance.

For 2020, OAQDA was responsible for the administration of three programs: Project Development and Financing; the Clean Air Resource Center; and the Energy Strategy Development Program. The Project Development and the Clean Air Resource Center are combined in the air quality development activity which is reported as an enterprise fund. Project Development and Financing is a self-supporting activity which provides for the acquisition, construction, maintenance, repair, and operation of air quality projects within the State of Ohio. In August 2020, the Project Development program was relaunched and rebranded as the Clean Air Improvement Program (CAIP). CAIP continues to support the development and financing of projects that provide beneficial air quality improvements in a similar manner as the previously named program but includes program guidelines to enhance transparency and accountability. Further, OAQDA revised its fee schedule in October 2020, which is effective January 1, 2021, to account for costs associated with the initial application intake process along with the ongoing performance monitoring of projects serving as air quality facilities in Ohio. As a result, projects participating in CAIP will adhere to this new expanded administration fee structure. The Clean Air Resource Center provides assistance to small businesses as they comply with requirements of the Clean Air Act; it is supported through a transfer of funds from the Ohio Environmental Protection Agency. Those funds are from Title V air permit fees. The Energy Strategy Development Activity accounts for the financial activity related to promoting deployment and manufacture of advanced energy technologies financed through revenue bonds issued under Ohio Revised Code (ORC) Section 166.08 by the State of Ohio. Like the air quality development activity, the energy strategy development activity is reported as an enterprise fund.

The aggregate financial information of these programs noted above is reported as a discretely presented component unit in the State of Ohio's Comprehensive Annual Financial Report (CAFR).

Financial Highlights

Key financial highlights for the year ended December 31, 2020 are as follows:

- Total net position of OAQDA decreased by $2.2 million in 2020 from the $10.6 million balance at December 31, 2019 to $8.3 million one year later. Net position of the air quality development activity decreased $945,863 while the net position of the energy strategy development activity decreased by $1.3 million. The decrease in the net position of the air quality development activity during the year resulted, in part, from the $981,370 decrease in project administration fees compared to the year prior. In addition, the decrease in net position is also attributable to the launch and implementation of the State of Ohio Nuclear and Renewable Generation Fund programs, as prescribed in Amended House Bill 6 by the 133rd General Assembly and assigned to OAQDA to administer. During 2020, OAQDA incurred administrative expenses associated with implementing the program but has not received any program related funding to offset these expenses. The decrease in the energy strategy development activity was anticipated as the State continues to wind down this program, with the final balance on the last energy loan receivable deemed uncollectible as of December 31, 2020.

- Total revenues of the OAQDA's enterprise activities decreased by 74.6 percent compared to those reported for the prior year. The primary driver of the overall decrease was the decrease in project administration fees for 2020 compared to the prior year. In 2019, two large scale projects were closed and accounted for approximately $796,500 in fees for OAQDA. There were no similar large scale projects undertaken in 2020 largely due to the global pandemic and uncertain economic environment caused by the pandemic. In addition, OAQDA also launched and implemented the State of Ohio Nuclear and Renewable Generation Fund program incurring expenses without an offsetting revenue source being provided to support the program administration.

- The total expenses of the two enterprise activities of OAQDA reported for 2020 was $2.6 million compared with the $1.5 million reported for 2019. The most significant increase in expenses for the year was associated with the write-off of the final energy loan receivable as mentioned above. Employee salaries and benefits expense increased by $92,068 for 2020 compared with the prior year. Starting in early 2020, OAQDA's staffing levels increased to five full-time employees compared to staffing levels of the prior year, which varied between four to two full-time employees. The most significant decrease in expenses for 2020 compared to 2019 was related to research grants expenses. Research grants expenses for 2020 were $202,527 less than 2019 as fewer CARC projects were processed due to changes in the program regulations which were effective July 1, 2020.

OAQDA Financial Statements

OAQDA follows proprietary fund accounting, which means its financial statements are presented in a manner similar to a private-sector business. The financial statements are designed to provide readers with a broad overview of the OAQDA's finances by activity and in total. An activity is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. OAQDA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements offer short and long-term financial information about the activities.

The statement of net position presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of OAQDA as well as the net position of the two enterprise activities as of December 31, 2020. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of OAQDA is improving or deteriorating. The statement of revenues, expenses and changes in net position presents information showing how OAQDA's enterprise activities' net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g., depreciation). The statement of cash flows provides information about OAQDA's cash receipts received and cash payments made during the year. This statement summarizes the net changes in cash resulting from operating, noncapital financing, capital, and investing activities of the two enterprise activities.

Fiduciary funds are used to account for resources held for the benefit of parties outside OAQDA. OAQDA maintains one type of fiduciary fund, a custodial fund, which is used to report financial resources held in a custodial capacity for private entities.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data shown in the financial statements.

The OAQDA as a Whole

The following tables provide a summary of OAQDA's financial position and operations for 2020 and 2019, respectively.

TABLE 1
NET POSITION

	2020	2019	Dollar Change	Percent Change
Assets:				
Current and Other Assets	$ 8,937,458	$ 11,134,678	$ (2,197,220)	-19.73%
Capital Assets, Net	18,397	20,890	(2,493)	-11.93%
Total Assets	8,955,855	11,155,568	(2,199,713)	-19.72%
Deferred Outflows of Resources:				
Pension and OPEB	123,195	183,127	(59,932)	-32.73%
Liabilities:				
Current and Other Liabilities	132,198	102,852	29,346	28.53%
Long-Term Liabilities:				
Due in more than One Year - Pension	173,064	394,157	(221,093)	-56.09%
Due in more than One Year - OPEB	258,253	254,126	4,127	1.62%
Total Liabilities	563,515	751,135	(187,620)	-24.98%
Deferred Inflows of Resources:				
Pension and OPEB	174,100	30,272	143,828	475.12%
Net Position:				
Invested in Capital Assets	18,397	20,890	(2,493)	-11.93%
Restricted:				
Existing Advanced Energy Projects	-	1,268,750	(1,268,750)	-100.00%
Unrestricted	8,323,038	9,267,648	(944,610)	-10.19%
Net Position	$ 8,341,435	$ 10,557,288	$ (2,215,853)	-20.99%

Table 2 shows the changes in net position for the years ended December 31, 2020 and 2019.

TABLE 2
CHANGE IN NET POSITION

	2020	2019	Dollar Change	Percent Change
Operating Revenues:				
Project administration fees	$ 70,435	$ 1,051,805	$ (981,370)	-93.30%
EPA fees	260,332	275,750	(15,418)	-5.59%
Non-Operating Revenues:				
Investment earnings	66,518	233,503	(166,985)	-71.51%
Total Revenue	397,285	1,561,058	(1,163,773)	-74.55%

(continued)

TABLE 2
CHANGE IN NET POSITION
(Continued)

	2020	2019	Dollar Change	Percent Change
Operating Expenses:				
Salaries and benefits	589,575	497,507	92,068	18.51%
Professional fees	441,143	462,040	(20,897)	-4.52%
Travel	3,305	5,433	(2,128)	-39.17%
Research grants/projects	201,046	403,573	(202,527)	-50.18%
Intrastate remittance	-	2,377	(2,377)	-100.00%
Administrative/office supplies	51,944	64,288	(12,344)	-19.20%
Depreciation	3,823	2,594	1,229	47.38%
Rental	53,552	52,291	1,261	2.41%
Doubtful accounts	1,268,750	-	1,268,750	100.00%
Total Expenses	2,613,138	1,490,103	1,123,035	75.37%
Change in net position	(2,215,853)	70,955	(2,286,808)	-3222.90%
Net position, January 1	10,557,288	10,486,333	70,955	0.68%
Net position, December 31	$ 8,341,435	$ 10,557,288	$ (2,215,853)	-20.99%

As displayed in Table 1, the OAQDA reported a net position of $8.3 million at December 31, 2020 compared to the $10.6 million balance at the beginning of the year. Net position at year-end restricted for specific purposes decreased by $1.3 million from that reported one year prior as the final energy conservation loan was deemed uncollectible by the Ohio Attorney General's Office during 2020. At December 31, 2020 the unrestricted net position of the air quality development activity represents nearly 6.2 times the total annual operating expenses for the activity reported for 2020.

The net pension liability (NPL) is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and the Other Postemployment Benefits (OPEB) are reported in accordance with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". These two standards significantly revised accounting for costs and liabilities related to pension and OPEB plans. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or OPEB liability. Both GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 required the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement systems. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event the contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority's statements include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Overall total net position of OAQDA decreased by $2.2 million in 2020; net position of the air quality development activity decreased $945,863 while the net position of the energy strategy development activity decreased by $1.3 million. The decrease in the net position of the air quality development activity during the year resulted primarily from the $918,390 decrease in cash, cash equivalents, and investments reported at December 31, 2020 compared with the amount reported one year prior. The decrease in cash balance was used to finance OAQDA activities during 2020 as revenues decreased due to the economic conditions caused by the global pandemic resulting in fewer large scale projects being undertaken compared with prior years and OAQDA incurred administration expenses related to the implementation of the State of Ohio Nuclear and Renewable Generation Fund programs during 2020, but did receive any program revenue to offset those program implementation expenses. The decrease in the energy strategy development activity was a direct result of the decision to write-off the final energy loan receivable during the current year.

Table 2 shows total revenues of the OAQDA's enterprise activities decreased by 74.6 percent compared to those reported for the prior year. The primary driver of the overall decrease was the 93.3 percent decrease in project administration fees for 2020 compared to the prior year. In 2019, two significant projects were completed which resulted in larger-sized bond closures. These two projects combined, resulted in approximately $796,500 of project administration fees reported for 2019. There were no similar large-scale projects for 2020 as the economic uncertainty caused by global pandemic resulted in hesitation to undertake large capital projects throughout the State.

The total expenses of the two enterprise activities of OAQDA reported for 2020 was $2.6 million compared with the $1.5 million reported for 2019. The most significant increase reported was the $1.3 million in doubtful account expense associated with the write-off of the final energy loan outstanding during the year. The expenses reported for employee salaries and benefits increased by 18.5 percent in 2020 compared to the amount reported in the previous year. The $92,068 increase in expenses resulted from the OAQDA's increasing the staffing levels to five full-time employees early in calendar year 2020 compared to the reduced staffing levels seen in 2019, which fluctuated between two to four full-time employees throughout that calendar year. With the increased number of employees in 2020, OAQDA reliance on temporary personnel decrease, thereby resulting in the decreased expenses related to professional fees reported for the year. The additional staff were to bring the employment total back to typical levels and to provide adequate staff to implement the new programs by OAQDA for future periods. Research/project expense decreased by $202,527 over prior year amount, as new program rules implemented July 1, 2020 for the CARC program reduced the SBA grant subsidy to 20 percent, or a maximum of $20,000, of the total cost of the eligible project.

Capital Assets

At December 31, 2020, the OAQDA had a total of $68,799 invested in capital assets less accumulated depreciation of $50,402 resulting in total capital assets, net of accumulated depreciation of $18,397. During the year, OAQDA acquired office furniture and computer equipment totaling $1,330, while depreciation expense for the year totaled $3,823. Additional information on the OAQDA's capital assets can be found in Note 5 to the basic financial statements.

Contacting the OAQDA

This financial report is designed to provide Ohio citizens and our customers and clients with a general overview of OAQDA's finances and to demonstrate OAQDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ohio Air Quality Development Authority at 50 West Broad Street, Suite 1118, Columbus, Ohio 43215.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2020

	Air Quality Development	Energy Strategy Development	Total
Assets:			
Current Assets:			
Cash and cash equivalents	$ 2,763,670	$ 7,474	$ 2,771,144
Investments	4,223,754	-	4,223,754
Accrued interest receivable:			
Investment income	5,346	-	5,346
Prepaid items	13,059	-	13,059
Total Current Assets	7,005,829	7,474	7,013,303
Noncurrent Assets:			
Investments	1,924,155	-	1,924,155
Capital assets, net of accumulated depreciation	18,397	-	18,397
Total Noncurrent Assets	1,942,552	-	1,942,552
Total Assets	8,948,381	7,474	8,955,855
Deferred Outflows of Resources:			
Pension and OPEB	123,195	-	123,195
Liabilities:			
Current Liabilities:			
Accounts payable	117,705	-	117,705
Accrued wages and benefits	14,493	-	14,493
Total Current Liabilities	132,198	-	132,198
Noncurrent Liabilities:			
Net pension liability	173,064	-	173,064
Net OPEB liability	258,253	-	258,253
Total Noncurrent Liabilities:	431,317	-	431,317
Total Liabilities	563,515	-	563,515
Deferred Inflows of Resources:			
Pension and OPEB	174,100	-	174,100
Net Position:			
Invested in capital assets	18,397	-	18,397
Unrestricted	8,315,564	7,474	8,323,038
Total Net Position	$ 8,333,961	$ 7,474	$ 8,341,435

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Air Quality Development	Energy Strategy Development	Total
Operating Revenues:			
Project administration fees	$ 70,435	$ -	$ 70,435
Small business ombudsman fees	165,181	-	165,181
Small business assistance program fees	95,151	-	95,151
Total operating revenues	330,767	-	330,767
Operating Expenses:			
Salaries and employee benefits	589,575	-	589,575
Professional fees	441,143	-	441,143
Travel	3,305	-	3,305
Research grants and projects	201,046	-	201,046
Office supplies and other administrative expenses	50,704	1,240	51,944
Depreciation	3,823	-	3,823
Rental expense	53,552	-	53,552
Doubtful account expense	-	1,268,750	1,268,750
Total operating expenses	1,343,148	1,269,990	2,613,138
Operating loss	(1,012,381)	(1,269,990)	(2,282,371)
Nonoperating revenues:			
Investment earnings:			
Interest revenue	70,723	-	70,723
Change in fair value of investments	(4,205)	-	(4,205)
Total nonoperating revenues	66,518	-	66,518
Change in net position	(945,863)	(1,269,990)	(2,215,853)
Net position, January 1, 2020	9,279,824	1,277,464	10,557,288
Net position, December 31, 2020	$ 8,333,961	$ 7,474	$ 8,341,435

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Air Quality Development	Energy Strategy Development	Total
Cash flows from operating activities:			
Receipts from customers	$ 70,435	$ -	$ 70,435
Cash received from OEPA	260,332	-	260,332
Payments to suppliers and vendors	(730,113)	(1,240)	(731,353)
Payments to employees	(600,986)	-	(600,986)
Net cash used by operating activities	(1,000,332)	(1,240)	(1,001,572)
Cash flows from capital activities:			
Acquisition of capital assets	(2,545)	-	(2,545)
Net cash used by capital activities	(2,545)	-	(2,545)
Cash flows from investing activities:			
Purchase of investments	(5,809,226)	-	(5,809,226)
Sale of investments	5,731,000	-	5,731,000
Investment earnings	89,932	-	89,932
Net cash provided by investing activities	11,706	-	11,706
Net decrease in cash and cash equivalents	(991,171)	(1,240)	(992,411)
Cash and cash equivalents - beginning of year	3,754,841	8,714	3,763,555
Cash and cash equivalents - end of year	$ 2,763,670	$ 7,474	$ 2,771,144
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$ (1,012,381)	$ (1,269,990)	$ (2,282,371)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	3,823	-	3,823
Decrease in energy loans receivable	-	1,268,750	1,268,750
Increase in prepaid expense	(9,129)	-	(9,129)
Decrease in deferred outflows of resources	59,932	-	59,932
Increase in accounts payable	28,766	-	28,766
Increase in wages and benefits payable	1,795	-	1,795
Decrease in net pension payable	(221,093)	-	(221,093)
Increase in net OPEB payable	4,127	-	4,127
Increase in deferred inflows of resources	143,828	-	143,828
Net cash used by operating activities	$ (1,000,332)	$ (1,240)	$ (1,001,572)
Schedule of non-cash operating activities:			
Decrease in energy loans receivable due to loan deemed uncollectible by Ohio Attorney General	$ -	$ (1,268,750)	$ (1,268,750)
Schedule of non-cash investing activities:			
Change in fair value of investments	$ (4,205)	$ -	$ (4,205)

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2020

Assets:	
Cash and cash equivalents	$ -
Total Assets	-
Liabilities:	
Due to other organizations	-
Total Liabilities	-
Net Position:	
Restricted for other organizations	-
Total Net Position	$ -

See accompanying notes to the basic financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Additions:	
Pass-through grant funding for other organizations	$ 130,838
Total Additions	130,838
Deductions:	
Grant funding passed-through to other organizations	130,838
Total Deductions	130,838
Change in fiduciary net position	-
Net position, January 1, 2020	-
Net position, December 31, 2020	-

See accompanying notes to the basic financial statements.

1. GENERAL INFORMATION

Introduction

The Ohio Air Quality Development Authority (the Authority) was created by amended House Bill No. 963, effective June 1, 1970, to provide for the conservation of air as a natural resource of the State and to prevent or abate the pollution thereof, to provide for the comfort, health, safety, and general welfare of all employees, as well as other inhabitants of the State, to create jobs and employment opportunities, and to improve the economic welfare of the people by providing for the acquisition, construction, maintenance, repair, and operation of air quality projects. The Authority is a body corporate and politic in the State of Ohio and has neither stockholders nor equity holders. The governing body consists of seven members. Five public members, of whom no more than three can be from the same political party, are appointed by the Governor with the advice and consent of the Senate. The two remaining members are the directors of the Ohio Environmental Protection Agency (Ohio EPA) and the Ohio Department of Health and serve in an ex-officio capacity. Under the provisions of the act, air quality revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State or any political subdivision thereof.

On August 1, 1975, Senate Bill No. 104 amended the Ohio Revised Code to allow the Authority to issue revenue bonds for public utilities and other facilities for control of air and thermal pollution whether or not such facilities result in the creation or preservation of jobs. This bill also provides that conditional or installment sales may be authorized and permit that the revenue bonds or notes bear a variable rate of interest changing from time to time according to a formula prescribed in the bond or note agreement.

Conduit Debt Obligations

The Ohio Air Quality Development Authority may at any time issue revenue bonds and notes of the State in such principal amounts as, in the opinion of the Authority, are necessary for the purpose of paying any part of the cost of one or more air quality projects or parts thereof. The Authority may at any time issue renewal notes, issue bonds to pay such notes and, whenever it deems refunding expedient, refund any bonds by the issuance of air quality revenue refunding bonds of the State, whether the bonds to be refunded have or have not matured, and issue bonds partly to refund bonds then outstanding, and partly for any other authorized purpose. The renewal notes, bonds, and air quality revenue refunding bonds are issued under the Authority's name; however, they are not obligations of the Authority or the State of Ohio, but are backed by specific streams of revenue and additional collateralization as deemed necessary at the time of issuance. In addition to conventional financings, pursuant to 3706.04 and in accordance with section 54D(e) of the Internal Revenue Code, 26 U.S.C. 54D(e), the Authority allocates the national qualified energy conservation bond (QECB) limitation to the state and reallocates any portion of an allocation waived by a county or municipality. The aggregate amount of principal outstanding as of December 31, 2020 was approximately $2.42 billion, which includes both conventional and QECB financings. Agreements between the borrower, the Authority and the purchaser determine the retirement period of the bonds. Interest rates are determined by existing bond market conditions at the time of sale.

In August 2020, the Project Development program was relaunched and rebranded as the Clean Air Improvement Program (CAIP). CAIP continues to support the development and financing of projects that provide beneficial air quality improvements in a similar manner as the previously named program but includes program guidelines to enhance transparency and accountability. Further, OAQDA revised its fee schedule in October 2020, which is effective January 1, 2021, to account for costs associated with the initial application intake process along with the ongoing performance monitoring of projects serving as air quality facilities in Ohio. As a result, projects participating in CAIP will adhere to this new expanded administration fee structure effective January 1, 2021.

Small Business Programs

During fiscal year 1995, the Authority began two operations, both of which were created by Senate Bill No. 153, effective October 19, 1993. The operations are described in Ohio Revised Code Section 3706.19.

The first operation is the office of Ombudsman for the small business stationary source technical and environmental compliance assistance program that was created in Ohio Revised Code Section 3704.18. The Ombudsman's duties include facilitating and promoting the participation of small businesses in compliance with the Federal Clean Air Act, provide and disseminate information about air pollution requirements and control technologies, conduct studies to evaluate the impacts of the Federal Clean Air Act on Ohio's economy, and other related duties. The Executive Director of the Authority and the director of the Ohio EPA establish annual budgets which are funded by monies set aside in the Ohio EPA's budget.

The second operation is the Small Business Assistance Fund (SBAF) that was authorized by Ohio Revised Code Section 3704.19. The SBAF is funded by monies set aside in the Ohio EPA's budget. The Ombudsman may use the monies in the SBAF solely to provide financial assistance to small businesses that have one hundred or fewer employees and that are having financial difficulty complying with the Clean Air Act Amendments of 1990.

Energy Strategy Development Program

The Energy Strategy Development Program received financing for various advanced energy technology projects as well as the implementation of energy conservation projects through the sale of revenue bond obligations by the State of Ohio pursuant to ORC Section 166.08. The repayment of these bonds is not included within the Authority’s financial statements; these payments are included within the State of Ohio’s Comprehensive Annual Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial activity of the programs administered by the Ohio Air Quality Development Authority (air quality development activity and energy strategy development program business-type activities and the custodial fund accounting for the Diesel Emissions Reduction Grants Program) are aggregated and included in the CAFR of the State of Ohio as a discretely presented component unit. The Authority's management believes these financial statements present all activities for which the Authority is financially responsible.

B. Basis of Presentation

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position present the financial activity of the Authority’s programs, except for the fiduciary funds. The Authority had no programs classified as governmental activities for the year ended December 31, 2020.

During the year, the Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level. During 2020, the Authority had two enterprise funds (air quality development and energy strategy development programs) and one custodial fiduciary fund. For the year, the Authority had no governmental fund types.

C. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The focus of enterprise fund financial statements is on major program (fund) level, while fiduciary funds are reported by type. For 2020, the Authority reported no governmental funds.

Proprietary Funds

The proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The Authority has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee or assessment is charged to external users for goods or services. The following are the Authority's enterprise funds:

Air Quality Development – This fund accounts for the activities of the air quality development office as well as the small business programs where the fees charged to the users are intended to cover the operating costs of the programs.

Energy Strategy Development – This fund accounts for the financial activity related to coordinating and development of a comprehensive and coordinated state energy strategy as well as promoting deployment and manufacture of advanced energy technologies throughout the State. The program is funded under ORC Section 166.08 through the issuance of State revenue bonds.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The Authority only reports one custodial fund for the following activity:

Diesel Emissions Reduction Grant Program - The Authority is a "Public Sponsor" (along with others such as the Ohio Rail Development Commission and the Ohio Environmental Protection Agency) between private entities and the Ohio Department of Transportation (ODOT) for participation in the Diesel Emissions Reduction Grant (DERG) program. Private entities, and in some cases, public entities, are responsible for developing and presenting potential projects meeting criteria for participation in the program and then applying for grant funding through the Authority as a "Public Sponsor". The Authority submits applications on behalf of the company. If funding approval is obtained, expense reimbursement requests are forwarded by the private and/or public entities to the Authority for review and approval and are then forwarded to ODOT for payment. ODOT reimburses the private and/or public entities directly for eligible grant expenditures once funding is received from the U.S. Department of Transportation.

D. Measurement Focus

Enterprise funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activities. Custodial funds are also accounted for using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Authority's financial statements are prepared using the accrual basis of accounting, including those of the custodial fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include the state assistance revenue received by the Authority. Revenue from state assistance is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted. Under the accrual basis of accounting, expenses are recognized at the time they are incurred.

F. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported for pension and other postemployment benefits (OPEB), which are further explained in Notes 7 and 8.

In additional to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow until that time. For the Authority, deferred inflows of resources are reported for pension and OPEB, explained further in Notes 7 and 8.

G. Cash, Cash Equivalents, and Investments

Cash and cash equivalents of the Authority include amounts on deposit in several separate accounts with the Treasurer of State and funds held in a money market account at a financial institution. For the purpose of the Statement of Cash Flows, the Authority considers all deposits with a maturity of three months or less when purchased, which includes all of the above accounts, to be cash equivalents.

During 2020, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, and U.S. Government money market. Investments are reported at fair value.

H. Advanced Energy Loans Receivables

The Energy Strategy Development activity issued the first advanced energy loans during 2010. These loans are issued to various private companies whose proposed projects meet the eligibility requirements of the program under ORC Section 166.30. Subsequent payments of loan principal and service fees will be maintained by the Authority in an escrow account and remitted to the Development Services Agency (DSA) to fund future projects as well as to pay the program's contractual loan service agent. As such, the OAQDA is acting in an administrative function only related to monitoring, tracking and accounting for the individual energy loans issued.

Advanced energy loans receivables are reported net of an allowance for doubtful accounts. The allowance amount is determined through the constant monitoring by the OAQDA of the payment history and credit worthiness of each individual borrower until the respective loans are repaid in full. Given the unique nature of the energy loans and the certain financial interest the DSA has in them, the OAQDA applies DSA criteria to determine allowance amounts. Factors considered include missed loan payments, other defaults by the specific borrower, and any other financial or operational issues facing the specific borrower the OAQDA deems appropriate. The guidelines for establishing allowance amounts for doubtful accounts include the following:

Factors/Condition	Allowance Guideline
Assignment to Attorney General, with possible asset recovery	50%
Bankruptcy by borrower	100%
Loss of collateral, personal guarantors/termination of business	100%
Loss of major contracts/suppliers	75%
Excessive deferrals of payments (3 or more)	50%
Excessive nonsufficient funds activity (90 day defaults)	45%
Failure to decrease principal balance within 2 years of contract	50%
Request to raise additional capital/potential major contract	35%

An increase in the allowance for doubtful accounts will be reported as an operating expense of the Energy Strategy Development activity as the loan program is a primary function of the activity. As such, any decreases in the allowance for doubtful accounts for the year will be reported as a component of Energy Loan operating income to ensure all adjustments of the allowance account affect operating income of the Energy Strategy Development activity.

I. Capital Assets

Capital assets are recorded at cost and capitalized if the purchase price is $1,000 or more. Depreciation is computed using the straight-line method over lives ranging from three to ten years. The Authority's capital assets and accumulated depreciation balances at December 31, 2020, was $68,799 and $50,402, respectively.

J. Enterprise Fund Revenue

Project Administrative Fees

In the Air Quality Development Activity, the Authority charges the borrower an administrative fee based on the size of the bond issue. From these administrative fees, the Authority pays all operating expenses for maintaining an office and full-time staff. In addition, the Authority engages in a research and development program that is funded from these administrative fees. The Authority recognizes the administrative fees as revenue on the date the bond or note is sold since the fee is not legally due to the Authority until that time.

Energy Operations Fees

For the Energy Strategy Development Activity, operating revenues to administer the program are derived from agreed upon assessments on other state agencies. From these fees, it is anticipated the Authority will pay all general operating and administrative costs associated with promoting advanced energy technologies by making loans available for qualifying projects. In addition, Energy Loan income (interest, fees, and adjustments on loans) is reported as a component of operating revenues given the significance of the financial activity associated with the Energy Loan program to the Energy Strategy Development activity as a whole. There were no such payments made during 2020.

Other Fees and Income

The Authority receives reimbursements from the Ohio Environmental Protection Agency for the cost of operating the two small business programs as well as commitments from other agencies within the State for the operation of energy strategy development program, as described previously. In addition, the Authority earns interest income from money market and other funds held in trust or on deposit with the Treasurer of State. The Authority recognizes this revenue in the period in which it is earned.

Classification

The Authority considers bond administrative fees, intergovernmental energy commitments, funding from the Ohio Environmental Protection Agency, and interest and fees received in association with repayment of energy loans as operating revenues. State assistance received through bond proceeds and grants as well as interest earned from investments are reported as non-operating revenues.

K. Loan Incentive Expense

Certain individual energy loan agreements contain incentive clauses which, if met, will forgive a certain amount of the respective loan amount. Upon presentation by the program's contractual loan service agent and after final approval by the OAQDA Director, any such forgiveness due to incentives met is recognized as an expense within the current year. In addition, the amount forgiven will reduce the respective loan balances progressing from the last scheduled repayment amount. During 2020, there were no loan repayments forgiven.

L. Accrued Wages and Benefits

Accrued wages consist of wages payable to Authority employees as of December 31, 2020. The accrued wages balance consists of $14,493 owed to employees for work performed, and related benefits associated, during the fiscal year but which they were not compensated until the subsequent year.

M. Compensated Absences

Each pay period, the Authority pays a required percentage into a separate State of Ohio fund established to provide for future payment of leave time and severance payments for all state employees. As a result of this current payment, the Authority reports no liabilities related to compensated absences.

N. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OBEP liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the pension and OPEB plans and addition to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

O. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for employee theft in the amount of $500,000 per occurrence.

There have been no significant reductions in insurance coverage from the prior year. The amount of settlements has not exceeded insurance coverage in each of the past three years.

P. Interfund Activity

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statements. The interfund services provided and used are not eliminated through the process of consolidation.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. DEPOSITS AND INVESTMENTS

Deposits:
At fiscal year end, the carrying amount of the Authority's deposits was $2,771,144 and the depository balance was $2,771,144. The Authority's deposits at year-end consisted of the following:

Deposits with Treasurer of State of Ohio:		
Operating - Payroll Clearing	$ 97,050	
Small Business Ombudsman	497,995	
Small Business Assistance	821,428	
Total on Deposit with Treasurer of State		$ 1,416,473
Deposits with Financial Institutions:		
Trust - Bank Money Market Funds	1,347,198	
Checking Account - Loan Repayment Holding	7,473	
Total on Deposit with Financial Institutions		1,354,671
Total Deposits		$ 2,771,144

Deposits with the Treasurer of State are not subject to the classification of custodial credit risk. The bank money market funds are not categorized by risk since they are not evidenced by securities that exist in physical or book entry form. Of the $7,473 on deposit in checking accounts; the entire balance was insured by the Federal Deposit Insurance Corporation (FDIC).

Investments:
The Investment Policy adopted by the Board provides investment guidance for the investments of the Air Quality program. The objective of the Investment Policy is to comply with all federal and state laws, as well as to ensure safety of principal amounts invested. Investments are generally limited to United States Treasury or Agency obligations, no-load mutual funds, and bonds or obligations of the State of Ohio or any other Ohio political subdivision. Mutual funds must be rated in the highest category by at least one nationally recognized rating agency and Ohio based obligations must have a minimum credit rating in the two highest categories by two nationally recognized rating agencies at the time of purchase. The Investment Policy limits the total investment in any one issuer that is not a U.S Treasury or Agency, to not more than 5% of the total average portfolio.

As of December 31, 2020, the Authority had the following investments:

		Investment Maturities in Years			
Investment Type	Measurement Value	1 Year or Less	2 to 3 Years	4 to 5 Years	Concentration of Credit Risk
FHLB	$ 106,795	$ -	$ -	$ 106,795	1.74%
FFCB	355,709	-	355,709	-	5.78%
FHLMC	1,061,069	-	650,470	410,599	17.26%
FNMA	751,232	350,650	150,273	250,309	12.22%
Treasury Money Market	3,873,104	3,873,104	-	-	63.00%
Totals	$ 6,147,909	$ 4,223,754	$ 1,156,452	$ 767,703	100.00%

Credit Risk: At December 31, 2020 the FHLB, FFCB, FHLMC and FNMA obligations were rated AA+ and the Treasury Money Market was rated AAAm by Standard and Poor's.

Custodial Credit Risk: The Investment Policy of the Authority requires investments to be delivered to, and held in safekeeping by a custodian bank that is qualified and experienced in providing custodial services to institutional investors, specifically public entities.

Interest Rate Risk: The Authority's Investment Policy attempts to minimize interest rate risk by maintaining adequate liquidity, diversifying maturities and diversifying assets. Investments are limited to those with maturities of five years or less.

Fair Value Measurement:
As of December 31, 2020, the Authority categorizes fair value measurements of its negotiable investments in one of three categories: Level 1 – inputs are quoted prices in active markets for identical assets; Level 2 – inputs are significant other observable inputs such as quoted prices for similar assets in active markets; Level 3 – inputs are significant unobservable inputs. All of the Authority's negotiable investments are categorized as Level 2 as values are obtained from trustees who use various pricing services.

4. ENERGY LOANS RECEIVABLE

As of December 31, 2019, the Authority reported $1.3 million of advanced energy loans outstanding, which was net of $1.3 million in allowance for doubtful account, associated with the final outstanding energy conservation project loan outstanding. As of December 31, 2020, the Ohio Attorney General's Office deemed this loan outstanding uncollectible. Details of the loan receivables are as follows:

Loan Receivable	Year Loan Approved	Interest Rate	Approved Loan Amount	Loan Amount Outstanding	Scheduled Maturity
Technology Management Inc.	2010	2.00%	$ 2,537,500	$ 2,537,500	2017
Gross Total			$ 2,537,500	2,537,500	
Less: Current Write-off of Doubtful Accounts				(2,537,500)	
Net Energy Loans Receivable				$ -	

Once approved, project loan amounts are deposited into the appropriate escrow accounts awaiting disbursement. During 2020, there were no new projects approved, nor any disbursements for previously approved projects, made out of these escrow accounts (addition to loans outstanding). In a prior year, the Authority declared the one remaining loan outstanding to be in default and as such, assigned the collection of this loan agreement to the Attorney General's Office for collection. As mentioned above, this final loan associated with the Advanced Energy Loan Program was deemed uncollectible by the Ohio Attorney General's Office as of December 31, 2020.

As a result, the Authority reported a $1,268,750 doubtful account expense during the current year representing the amount not covered by the 50 percent allowance established for this loan previously. In addition, as the Authority anticipates no additional energy loan activity to occur in the future, this activity will be closed during calendar year 2021.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Office equipment	$ 67,469	$ 1,330	$ -	$ 68,799
Less accumulated depreciation for:				
Office equipment	(46,579)	(3,823)	-	(50,402)
Total capital assets, net	$ 20,890	$ (2,493)	$ -	$ 18,397

6. OPERATING LEASES

The Authority has entered into lease agreements for office space and a copier. Leased properties not having the elements of ownership are classified as operating leases and are recorded as expenses when payable. Total operating lease expense for 2020 was $53,552. The terms of the leases are not anticipated to change significantly in future fiscal years.

7. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits payable on the accrual basis of accounting.

Plan Description and Plan Benefits

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., Authority employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other groups and members hired on or after January 7, 2013
Age and Service Requirements: Age 60 with 60 months of service credit or age 55 with 25 years of service credit.	**Age and Service Requirements:** Age 60 with 60 months of service credit or age 55 with 25 years of service credit.	**Age and Service Requirements:** Age 57 with 25 years of service credit or age 62 with 5 years of service credit.
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years.

Source: OPERS 2019 CAFR

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy
The ORC provides statutory authority for member and employer contributions. For 2020, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $55,139 for 2020.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension
The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. For reporting purposes, the Authority combined the amounts for both the Traditional and Combined plans, due to insignificance of the amounts that related to the Combined Plan. The Authority reported a net pension liability of $173,064 as its proportionate share. The Authority's proportion was 0.001128% for the traditional Plan and 0.023917% for the Combined Plan, which represent an increase of 0.000382% and an increase of 0.006656% from the proportionate share of the prior year, respectively. The Authority recognized $20,915 in pension expense for 2020.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2020:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Authority contributions subsequent to measurement date	$ 55,139	$ -	$ 55,139
Net difference between projected and actual investment earnings (1)	-	(50,938)	(50,938)
Change in assumptions (1)	17,051	-	17,051
Differences between expected and actual experience (1)	-	(14,527)	(14,527)
Change in the Authority's proportionate share and differences in contributions	8,748	(57,831)	(49,083)
	$ 80,938	$ (123,296)	$ (42,358)

(1) - Information provided by OPERS

$55,139 reported as deferred outflows of resources relate to pension resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and deferred inflows related to pension will be recognized in pension expense as follows:

	Deferred Outflows	Deferred (Inflows)	Pension Expense
Year Ending December 31:			
2021	$ 13,997	$ (52,892)	$ (38,895)
2022	2,090	(36,234)	(34,144)
2023	2,090	(1,633)	457
2024	2,090	(23,502)	(21,412)
2025	2,090	(2,899)	(809)
Thereafter	3,442	(6,136)	(2,694)
	$ 25,799	$ (123,296)	$ (97,497)

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Traditional Plan	Combined Plan
Investment rate of return:		
Current year	7.20%	7.20%
Prior year	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases	3.25% - 10.75% (includes wage inflation at 3.25%)	3.25% - 8.25% (includes wage inflation at 3.25%)
Cost-of-living adjustments:		
Pre 1/7/2013 Retirees	3.00% simple	3.00% simple
Post 1/7/2013 Retirees	1.40% simple through 2020, then 2.15% simple	1.40% simple through 2020, then 2.15% simple
Actuarial cost method	Individual entry age	Individual entry age

Source: OPERS 2019 CAFR

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

Source: OPERS 2019 CAFR

Discount Rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table represents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	$ 337,498	$ 173,064	$ 28,549

Source: OPERS 2019 CAFR multiplied by Authority's proportionate share

8. DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trends and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annual required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in accrued wages and benefits on the accrual basis of accounting.

Plan Description
The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.
Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy
The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0%, or $1,028.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The total OPEB liability for OPERS was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to OPERS to the contributions of all participating entities. For 2020, the Authority reported a proportionate share of the net OPEB liability amounting to $258,253. The proportionate share for the Authority was 0.0018697% for 2020 which was a 0.00008% decrease from the prior year. The Authority recognized $22,046 in OPEB expense for the year.

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Authority contributions subsequent to measurement date	$ 1,028	$ -	$ 1,028
Net difference between projected and actual investment earnings (1)	-	(13,151)	(13,151)
Change in assumptions (1)	40,879	-	40,879
Differences between expected and actual experience (1)	7	(23,619)	(23,612)
Change in the Authority's proportionate share and differences in contributions	343	(14,034)	(13,691)
	$ 42,257	$ (50,804)	$ (8,547)

(1) - Information provided by OPERS

$1,028 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows	Deferred (Inflows)	OPEB Expense
Year Ending December 31:			
2021	$ 24,853	$ (29,115)	$ (4,262)
2022	16,376	(16,080)	296
2023	10	-	10
2024	-	(5,619)	(5,619)
	$ 41,239	$ (50,814)	$ (9,575)

Actuarial Assumptions
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement date	3.16%
Prior measurement date	3.96%
Investment rate of return:	
Current measurement date	6.00%
Prior measurement date	6.00%
Municipal bond rate:	
Current measurement date	2.75%
Prior measurement date	3.71%
Health care cost trend rate	
Current measurement date	10.5% initial, 3.50% ultimate in 2030
Prior measurement date	10.0% initial, 3.25% ultimate in 2029
Actuarial cost method	Individual entry age

Source: OPERS 2019 CAFR

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	14.00%	4.90%
Total	100.00%	4.55%

Source: OPERS 2019 CAFR

Discount Rate: A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the Authority's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.16%) or 1.0% point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate of 3.16%	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	$ 337,956	$ 258,253	$ 194,424

Source: OPERS 2019 CAFR multiplied by Authority's proportionate share

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.
Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 250,625	$ 258,253	$ 265,769

Source: OPERS 2019 CAFR multiplied by Authority's proportionate share

9. LONG-TERM OBLIGATIONS

The change in the Authority's long-term obligations for the year ended December 31, 2020, was as follows:

	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Net Pension Liability	$ 394,157	$ -	$ (221,093)	$ 173,064
Net OPEB Liability	254,126	4,127	-	258,253
Total Long-Term Obligations	$ 648,283	$ 4,127	$ (221,093)	$ 431,317

10. COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial implications of COVID-19 and the ensuing emergency measures impacted 2020 and will impact the Authority in subsequent years. The impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN MEASUREMENT YEARS (1), (2)

	2019	2018	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability:							
Traditional Plan	0.001128%	0.001510%	0.001503%	0.001324%	0.001219%	0.001571%	0.001571%
Combined Plan	0.023917%	0.017261%	0.024987%	0.025721%	0.026840%	0.028929%	0.028929%
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 173,064	$ 394,157	$ 201,846	$ 286,386	$ 198,034	$ 178,341	$ 182,164
Authority's Covered Payroll (3)	$ 277,350	$ 279,414	$ 304,469	$ 327,933	$ 312,275	$ 310,667	$ 257,092
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	62.40%	141.07%	66.29%	87.33%	63.42%	57.41%	70.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:							
Traditional Plan	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	104.56%

Source: OPERS information with exception of the covered payroll which was derived from the Authority's financial records.

(1) Information presented based on measurement periods ended December 31, one year prior to date of financial statements.

(2) Information prior to 2013 is not available. The Authority will continue to present information for years available until a full ten-year trend is compiled.

(3) Covered payroll broken down by plan (Traditional vs. Combined) was not available.

See accompanying notes to the required supplementary information.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS (1)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contributions (2)	$ 55,139	$ 38,829	$ 39,118	$ 39,581	$ 39,352	$ 37,473	$ 37,280	$ 33,422	$ 22,869	$ 26,034
Contributions in Relation to the Contractually Required Contributions	$ (55,139)	$ (38,829)	$ (39,118)	$ (39,581)	$ (39,352)	$ (37,473)	$ (37,280)	$ (33,422)	$ (22,869)	$ (26,034)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 393,850	$ 277,350	$ 279,414	$ 304,469	$ 327,933	$ 312,275	$ 310,667	$ 257,092	$ 228,690	$ 260,340
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%

Source: Authority's financial records.

(1) Represents employer's calendar year.

(2) Information broken down by plan type (Traditional vs. Combined) was not available.

See accompanying notes to the required supplementary information.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR MEASUREMENT YEARS (1), (2)

	2019	2018	2017	2016
Authority's Proportion of the Net Pension Liability	0.001870%	0.001949%	0.002158%	0.002043%
Authority's Proportionate Share of the Net OPEB Liability	$ 258,253	$ 254,126	$ 234,322	$ 206,338
Authority's Covered Payroll	$ 277,350	$ 279,414	$ 304,469	$ 327,933
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	93.11%	90.95%	76.96%	62.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

Source: OPERS information with exception of the covered payroll which was derived from the Authority's financial records.

(1) Information presented based on measurement periods ended December 31, one year prior to date of financial statements.

(2) Information prior to 2016 is not available. The Authority will continue to present information for years available until a full ten-year trend is compiled.

See accompanying notes to required supplementary information.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS (1)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required OPEB Contributions	$ 1,028	$ 200	$ 200	$ 3,195	$ 6,559	$ 6,246	$ 6,213	$ 2,571	$ 9,148	$ 10,414
Contributions in Relation to the Contractually Required OPEB Contributions	$ (1,028)	$ (200)	$ (200)	$ (3,195)	$ (6,559)	$ (6,246)	$ (6,213)	$ (2,571)	$ (9,148)	$ (10,414)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 393,850	$ 277,350	$ 279,414	$ 304,469	$ 327,933	$ 312,275	$ 310,667	$ 257,092	$ 228,690	$ 260,340
Contributions as a Percentage of Covered Payroll	0.26%	0.07%	0.07%	1.05%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%

Source: Authority's financial records.

(1) Represents employer's calendar year.

See accompanying notes to the requried supplementary information.

1. DEFINED BENEFIT PENSION PLAN

Change in Assumptions
In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

2. DEFINED OPEB PLAN

Change in Assumptions
For 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.5% to 6.0%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

Ohio Air Quality Development Authority
Franklin County, Ohio
50 West Broad Street, Suite 1118
Columbus, OH 43215

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Ohio Air Quality Development Authority (the Authority), a component unit of the State of Ohio, Franklin County, Ohio as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 1, 2021, wherein we noted the financial statements of the Authority present activities that are attributable to only the transactions of the Authority as a component unit of the State of Ohio. We also noted that the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the Authority.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 1, 2021

OHIO AUDITOR OF STATE
KEITH FABER

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 5/25/2021

88 East Broad Street, Columbus, Ohio 43215
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