OHIO AIR QUALITY DEVELOPMENT AUTHORITY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost • Auditor of State

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
DECEMBER 31, 2016

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Ohio Air Quality Development Authority
50 West Broad Street, Suite 1718
Columbus, Ohio 43215

To the Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Ohio Air Quality Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2016, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Ohio Air Quality Development Authority as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

Presentation

As discussed in Note 2, the financial statements of the Authority present only the financial position, changes in financial position and, where applicable, cash flows thereof of the Authority. They do not present the financial position of the State of Ohio as of June 30, 2017, the changes in financial position or, where applicable, cash flows thereof for the State of Ohio for the year then ended in accordance with the accounting principles generally accepted in the United States of America. 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 this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

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

The Schedule of Changes in Assets and Liabilities – Agency Fund (the schedule) presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 30, 2017

This page intentionally left blank.

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, 2016. 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 2016, 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. 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, 2016 are as follows:

- Total net position of OAQDA decreased by $3.4 million in 2016 from the $25.5 million at December 31, 2015 to $22.1 million one year later. This decrease can be attributed to the $3.2 million decrease in energy loans receivable reported at December 31, 2016 compared to that reported at the end of the prior year. Loan repayments, loan forgiveness incentive and settlements accounted for $3.0 million of the decrease in the energy loans while the remainder was recognized as an increase in the doubtful accounts associated with those loans during the year.

- Total revenues of the OAQDA's enterprise activities decreased by approximately $502,000 or 33.2 percent compared to those reported for the prior year. Although OAQDA completed more projects, the decrease in project administration fees resulted from smaller-sized projects with less dollar amounts occurring in 2016 compared with those projects closed during 2015. The decrease in energy loan income resulted from a decrease in loan interest payments recognized for 2016 as principal amounts outstanding decreased significantly due to principal payments and settlements during the year.

- The total expenses of the two enterprise activities of OAQDA reported for 2016 was $4.4 million compared with the $9.1 million reported for 2015. The most significant decrease reported for the year was related to doubtful accounts expense. In 2015, the Attorney General's Office entered into settlement agreements for three separate loans which had previously been declared in default by the Authority and assigned to the Attorney General's Office for collection; thereby resulting in much higher than normal expense for 2015. Offsetting the decrease in expenses somewhat were the increases reported for intrastate remittance as well as research and grant projects. Intrastate remittance expense increased due to the funds received due to the settlement agreements noted above. Research and grant project expense increased as the number of small business grants awarded increased in 2016.

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 all of the assets and liabilities of OAQDA as well as the net position of the two enterprise activities as of December 31, 2016. 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, an agency 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 2016 and 2015, respectively.

TABLE 1
NET POSITION

	2016	2015	Dollar Change	Percent Change
Assets:				
Current and Other Assets	$ 22,757,914	$ 27,564,166	$ (4,806,252)	-17.44%
Capital Assets, Net	2,365	3,601	(1,236)	-34.32%
Total Assets	22,760,279	27,567,767	(4,807,488)	-17.44%
Deferred Outflows of Resources:				
Pension	99,845	46,790	53,055	113.39%
Liabilities				
Current and Other Liabilities	535,466	1,913,067	(1,377,601)	-72.01%
Long-Term Liabilities:				
Due in more than One Year - Pension	198,034	178,341	19,693	11.04%
Total Liabilities	733,500	2,091,408	(1,357,908)	-64.93%

(continued)

TABLE 1
NET POSITION
(continued)

	2016	2015	Dollar Change	Percent Change
Deferred Inflows of Resources:				
Pension	39,013	6,727	32,286	479.95%
Net Position:				
Invested in Capital Assets	2,365	3,601	(1,236)	-34.32%
Restricted:				
Existing Advanced Energy Projects	10,044,036	13,172,842	(3,128,806)	-23.75%
Ohio Development Services	25,000	49,977	(24,977)	-49.98%
Unrestricted	12,016,210	12,290,002	(273,792)	-2.23%
Net Position	$ 22,087,611	$ 25,516,422	$ (3,428,811)	-13.44%

Table 2 shows the changes in net position for the years ended December 31, 2016 and 2015.

TABLE 2
CHANGE IN NET POSITION

	2016	2015	Dollar Change	Percent Change
Operating Revenues:				
Project administration fees	$ 366,353	$ 793,892	$ (427,539)	-53.85%
EPA fees	348,345	363,799	(15,454)	-4.25%
Energy operation fees	176,394	176,175	219	0.12%
Energy loan income	37,902	68,037	(30,135)	-44.29%
Miscellaneous	-	11,182	(11,182)	-100.00%
Non-Operating Revenues:				
Investment earnings	78,926	96,641	(17,715)	-18.33%
Total Revenue	1,007,920	1,509,726	(501,806)	-33.24%
Operating Expenses:				
Salaries and benefits	416,594	454,242	(37,648)	-8.29%
Professional fees	287,987	275,900	12,087	4.38%
Travel	4,760	2,189	2,571	117.45%
Research grants/projects	348,982	38,943	310,039	796.14%
Intrastate remittance	2,929,799	2,260,660	669,139	29.60%
Administrative/office supplies	67,829	114,836	(47,007)	-40.93%
Depreciation	1,236	1,466	(230)	-15.69%
Rental	67,910	68,236	(326)	-0.48%
Loan incentive	100,500	-	100,500	100.00%
Doubtful accounts	211,134	5,920,336	(5,709,202)	-96.43%
Total Expenses	4,436,731	9,136,808	(4,700,077)	-51.44%
Change in net position	(3,428,811)	(7,627,082)	4,198,271	-55.04%
Net position, January 1	25,516,422	33,143,504	(7,627,082)	-23.01%
Net position, December 31	$ 22,087,611	$ 25,516,422	$ (3,428,811)	-13.44%

As displayed in Table 1, the OAQDA reported a net position of $22.1 million at December 31, 2016 compared to the $25.5 million reported for the prior year. Net position at year-end restricted for specific purposes totaled $10.1 million; virtually all restricted for existing advanced energy projects with the remainder restricted for required remittances associated with Energy Strategy Development activity. At December 31, 2016 the unrestricted net position of the air quality development activity represents nearly 11.3 times the total annual operating expenses for the activity reported for 2016.

In the prior year, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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, however there is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Authority. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Accordingly, the Authority's financial statements include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Overall total net position of OAQDA decreased by $3.4 million in 2016; net position of the air quality development activity decreased by $325,348 while the net position of the energy strategy development activity decreased by approximately $3.1 million. The decrease in the net position of the air quality development activity during the year resulted as project administration fees received during 2016 were 53.9 percent less than those received in 2015. As the Authority's project administration fees are calculated as a set percentage of the total bond issue, the fees reported for a given year depend on the total amount of industrial bonds issued in conjunction with the activity. The nature of the energy strategy development activity and the manner in which the energy loan repayments are handled will most likely result in a decrease in net position on an annual basis. As loan payments are made, the principal and interest payments are required to be remitted to the Ohio Development Services Agency (DSA) to fund future energy related projects as determined by DSA. In addition, other loan related activity, such as doubtful account expense, are recognized in the period the criteria to record these expenses are realized. As such, intrastate remittance and doubtful account expense represent 93.0 percent of the total expenses reported by the energy strategy development activity for 2016. Total restricted net position reported for the energy strategy development activity at the end of 2016 was $3.2 million less than compared to one year prior due to the decrease in energy loans receivable reported at December 31, 2016 compared to that reported for the prior year. Loan repayments, loan forgiveness incentive and settlements accounted for $3.0 million of the decrease in the energy loans while the remainder was recognized as an increase in the doubtful accounts associated with those loans during the year.

Table 2 shows total revenues of the OAQDA's enterprise activities decreased by $501,806 or 33.2 percent compared to those reported for the prior year. The vast majority of the decrease ($427,539) resulted from the decrease in project administration fees reported for 2016 as a result of more projects completed with smaller-sized bond closures occurring during the year. The decrease in energy loan income resulted from a decrease in loan interest payments recognized for 2016 as principal amounts outstanding decreased significantly due to principal payments and settlements during the year.

The total expenses of the two enterprise activities of OAQDA reported for 2016 was $4.4 million compared with the $9.1 million reported for 2015. The most significant decrease reported for the year was related to doubtful accounts expense. In 2015, the Attorney General's Office entered into settlement agreements for three separate loans which had previously been declared in default by the Authority and assigned to the Attorney General's Office for collection; thereby resulting in a significantly larger expense amount for doubtful accounts in 2015. Offsetting the decrease in expenses somewhat were the increases reported for intrastate remittance, loan incentive as well as research and grant projects. Intrastate remittance expense increased due to the funds received in conjunction with the settlements agreed to in the prior year. Research and grant project expense increased as the number of small business grants awarded increased in 2016.

Capital Assets

At December 31, 2016, the OAQDA had a total of $90,430 invested in capital assets less accumulated depreciation of $88,065 resulting in total capital assets, net of accumulated depreciation of $2,365. There were no capital asset additions recorded for 2016 and depreciation expense for the year totaled $1,236. Additional information on the OAQDA's capital assets can be found in Note 6 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 1718, Columbus, Ohio 43215.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2016

	Air Quality Development	Energy Strategy Development	Total
Assets:			
Current Assets:			
Cash and cash equivalents	$ 6,419,275	$ 7,883,975	$ 14,303,250
Investments	563,622	-	563,622
Accounts receivable	600	-	600
Accrued interest receivable:			
Income from loan interest, net of doubtful accounts	-	25,000	25,000
Investment income	21,656	-	21,656
Energy loans receivable, net of doubtful accounts	-	1,971,998	1,971,998
Due from other funds	37,000	-	37,000
Prepaid items	6,883	-	6,883
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	350,876	350,876
Total Current Assets	7,049,036	10,231,849	17,280,885
Noncurrent Assets:			
Investments	5,169,373	-	5,169,373
Energy loans receivable, net of doubtful accounts	-	307,656	307,656
Capital assets, net of accumulated depreciation	2,365	-	2,365
Total Noncurrent Assets	5,171,738	307,656	5,479,394
Total Assets	12,220,774	10,539,505	22,760,279
Deferred Outflows of Resources:			
Pension	69,892	29,953	99,845
Liabilities:			
Current Liabilities:			
Accounts payable	138,566	430	138,996
Accrued wages and benefits	6,016	2,578	8,594
Due to other funds	-	37,000	37,000
Payable from restricted assets:			
Accounts payable	-	8,370	8,370
Intrastate payable	-	342,506	342,506
Total Current Liabilities	144,582	390,884	535,466
Noncurrent Liabilities:			
Net pension liability	138,624	59,410	198,034
Total Liabilities	283,206	450,294	733,500
Deferred Inflows of Resources:			
Pension	27,309	11,704	39,013
Net Position:			
Investment in net capital assets	2,365	-	2,365
Restricted for:			
Existing Ohio Advanced Energy Projects	-	10,044,036	10,044,036
Remittance to Ohio Development Services Agency	-	25,000	25,000
Unrestricted	11,977,786	38,424	12,016,210
Total Net Position	$ 11,980,151	$ 10,107,460	$ 22,087,611

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, 2016

	Air Quality Development	Energy Strategy Development	Total
Operating Revenues:			
Project administration fees	$ 366,353	$ -	$ 366,353
Small business ombudsman fees	217,334	-	217,334
Small business assistance program fees	131,011	-	131,011
Energy operation fees	-	176,394	176,394
Energy loan Income:			
Loan interest	-	29,102	29,102
Loan fees	-	8,800	8,800
Total operating revenues	714,698	214,296	928,994
Operating Expenses:			
Salaries and employee benefits	291,613	124,981	416,594
Professional fees	278,249	9,738	287,987
Travel	4,760	-	4,760
Research grants and projects	348,982	-	348,982
Intrastate remittance expense	-	2,929,799	2,929,799
Office supplies and other administrative expenses	67,609	220	67,829
Depreciation	1,236	-	1,236
Rental expense	67,910	-	67,910
Loan incentive expense	-	100,500	100,500
Doubtful account expense	-	211,134	211,134
Total operating expenses	1,060,359	3,376,372	4,436,731
Operating income (loss)	(345,661)	(3,162,076)	(3,507,737)
Nonoperating revenues (expenses):			
Investment earnings:			
Interest revenue	66,313	58,548	124,861
Change in fair value of investments	(45,935)	-	(45,935)
Total nonoperating revenues (expenses):	20,378	58,548	78,926
Transfers in	-	65	65
Transfers out	(65)	-	(65)
Change in net position	(325,348)	(3,103,463)	(3,428,811)
Net position, January 1, 2016	12,305,499	13,210,923	25,516,422
Net position, December 31, 2016	$ 11,980,151	$ 10,107,460	$ 22,087,611

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Air Quality Development	Energy Strategy Development	Total
Cash flows from operating activities:			
Receipts from customers	$ 365,753	$ 176,394	$ 542,147
Cash received from OEPA	348,345	-	348,345
Energy loans principal repayment	-	2,900,697	2,900,697
Interest received on energy loans	-	29,102	29,102
Energy loans fees received	-	8,800	8,800
Intrastate payments	-	(4,361,405)	(4,361,405)
Payments to suppliers and vendors	(655,185)	(8,955)	(664,140)
Payments to employees	(301,935)	(129,405)	(431,340)
Net cash used by operating activities	(243,022)	(1,384,772)	(1,627,794)
Cash flows from non-capital financing activities:			
Transfers to other funds	(65)	-	(65)
Transfers from other funds	-	65	65
Advances to other funds	-	(49,193)	(49,193)
Advances from other funds	49,193	-	49,193
Net cash provided (used) by non-capital financing activities	49,128	(49,128)	-
Cash flows from investing activities:			
Purchase of investments	(3,898,492)	-	(3,898,492)
Sale of investments	3,843,589	-	3,843,589
Investment earnings	61,821	58,548	120,369
Net cash provided by investing activities	6,918	58,548	65,466
Net decrease in cash and cash equivalents	(186,976)	(1,375,352)	(1,562,328)
Cash and cash equivalents - beginning of year	6,606,251	9,610,203	16,216,454
Cash and cash equivalents - end of year	$ 6,419,275	$ 8,234,851	$ 14,654,126
Cash and cash equivalents - Statement of Net Position:			
Unrestricted:			
Cash and cash equivalents	$ 6,419,275	$ 7,883,975	$ 14,303,250
Restricted			
Cash and cash equivalents with fiscal agent	-	350,876	350,876
Total cash and cash equivalents	$ 6,419,275	$ 8,234,851	$ 14,654,126

(Continued)

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	Air Quality Development	Energy Strategy Development	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$ (345,661)	$ (3,162,076)	$ (3,507,737)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	1,236	-	1,236
Decrease in energy loans receivable	-	3,187,354	3,187,354
Decrease (Increase) in accounts receivable	(544)	24	(520)
Decrease in loan interest receivable	-	24,977	24,977
Decrease (Increase) in prepaid expense	(4,599)	979	(3,620)
Increase in deferred outflows of resources	(37,139)	(15,916)	(53,055)
Increase in accounts payable	116,868	-	116,868
Decrease in wages and benefits payable	(9,568)	(4,102)	(13,670)
Decrease in intrastate payable	-	(1,431,606)	(1,431,606)
Increase in net pension payable	13,785	5,908	19,693
Increase in deferred inflows of resources	22,600	9,686	32,286
Net cash used by operating activities	$ (243,022)	$ (1,384,772)	$ (1,627,794)
Schedule of non-cash investing activities:			
Change in fair value of investments	$ (45,935)	$ -	$ (45,935)

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2016

Assets:	
Cash and cash equivalents	$ -
Total Assets	$ -
Liabilities:	
Due to others	$ -
Total Liabilities	$ -

See accompanying notes to the basic financial statements.

This page intentionally left blank.

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 unaudited aggregate amount of principal outstanding as of December 31, 2016 was approximately $2.9 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.

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 (CAFR).

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 agency 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, 2016.

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 2016, the Authority had two enterprise funds (air quality development and energy strategy development programs) and one agency 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 2016, 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 agency funds. The Authority only reports one agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 them 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 and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of 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. Agency funds have no 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 agency 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, explained further in Note 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, explained further in Note 8.

G. Cash and Cash Equivalents

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.

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 established 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%

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 effect operating income of the Energy Strategy Development activity.

I. Restricted Assets

Restricted cash and cash equivalent and accounts receivable represents the escrow account established for the receipt of payments associated with the energy loans, including principal, interest and fees, as well as the amounts owed at year-end associated with the administration fees of the loans. As noted above, these funds will be remitted to the DSA at a future date to fund future projects, as well as to pay the program's contractual loan service agent.

J. Capital Assets

Capital assets are recorded at cost and capitalized if the purchase price is $500 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, 2016, was $90,430 and $88,065, respectively.

K. 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.

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.

L. 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 2016, there was one such incentive clause approved which resulted in $100,500 of loan repayments being forgiven.

M. Accrued Wages and Benefits

Accrued wages consist of wages payable to Authority employees as of December 31, 2016. The accrued wages balance consists of $8,594 owed to employees for work performed during the fiscal year but which they were not compensated until the subsequent year.

N. 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.

O. Pensions

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

P. 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 $250,000 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 fiscal years.

Q. Interfund Activity

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

3. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, A*ccounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 or 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multi-Employer Defined Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

GASB Statement No. 72 will enhance comparability of financial statement among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

GASB Statement No. 73 establishes a single framework for presentation of information about pensions and for assets accumulated for pensions that are provided through pension plans that are not administered through trust arrangements that meet the criteria specified in GASB Statement No. 68.

GASB Statement No. 76 raises GASB Implementation Guides within the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP.

GASB Statement No 77 requires disclosures that will provide financial statement users with information concerning the reporting government's tax abatement programs (nature and magnitude) which will provide information on ability to raise resources and the impact of the abatement programs on the financial position of the government.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of governmental employers through cost-sharing multiple-employer defined benefit plan in specific circumstances.

GASB Statement No. 79 establishes specific criteria to determine whether a qualifying external investment pool may elect to use amortized cost-exception to fair value measurement and provides consistent application of an amortized cost-based measurement that approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The implementation of all the Standards noted above, had no effect on the beginning net position reported by the Authority.

4. DEPOSITS AND INVESTMENTS

Deposits:
At fiscal year end, the carrying amount of the Authority's deposits was $14,654,126 and the depository balance was $14,654,126. The Authority's deposits at year-end consisted of the following:

Deposits with Treasurer of State of Ohio:		
Operating - Payroll Clearing	$ 33,161	
Small Business Ombudsman	904,853	
Small Business Assistance	3,515,956	
Energy Strategy Development	119,593	
Advanced Energy R&D Taxable Bonds	7,764,382	
Total on Deposit with Treasurer of State		$ 12,337,945
Deposits with Financial Institutions:		
Trust - Bank Money Market Funds	2,025,298	
Checking Account - Loan Repayment Holding	290,883	
Total on Deposit with Financial Institutions		2,316,181
Total Deposits		$ 14,654,126

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 $290,883 deposits in checking and escrow accounts; $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining $40,883 was subject to custodial credit risk as it was not covered by FDIC coverage or collateral.

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, 2016, the Authority had the following investments:

Investment Type	Fair Value	Investment Maturities in Years: 1 Year or Less	2 to 3 Years	4 to 5 Years	Concentration of Credit Risk
FHLB	$ 584,399	$ -	$ 549,161	$ 35,238	10.19%
FFCB	1,472,601	250,032	349,053	873,516	25.69%
FHLMC	692,828	-	496,640	196,188	12.08%
FNMA	2,669,577	-	1,790,629	878,948	46.57%
Treasury Money Market	313,590	313,590	-	-	5.47%
Totals	$ 5,732,995	$ 563,622	$ 3,185,483	$ 1,983,890	100.00%

Credit Risk: At December 31, 2016 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 maintain adequate liquidity, diversifying maturities and diversifying assets. Investments are limited to those with maturities of five years or less.

5. ENERGY LOANS RECEIVABLE

As of December 31, 2016, the Authority reports $2.3 million of advanced energy loans outstanding, which is net of $1.4 million in allowance for doubtful accounts, to various companies to finance energy conservation projects. Details of the loan receivables are as follows:

Loan Receivable	Year Loan Approved	Interest Rate	Approved Loan Amount	Loan Amount Outstanding	Scheduled Maturity
Evergreen (Ohio Cooperative Solar)	2010	1.00%	$ 1,530,000	$ 324,502	2017
Quasar Energy Group	2010	2.00%	3,045,000	-	2017
Technology Management Inc.	2010	2.00%	2,537,500	2,537,500	2017
Willard & Kelsey	2010	3.66%	10,000,000	-	2012
Xunlight	2010	2.00%	4,060,000	-	2018
SCI Engineering Materials	2011	3.00%	1,365,780	114,513	2018
SoCore Solar Energy	2011	1.50%	5,237,400	526,179	2019
Stark County	2011	3.00%	1,500,000	191,736	2021
Isofoton North America	2012	2.00%	5,000,000	-	2019
Gross Total			$ 34,275,680	3,694,430	
Less: Allowance for Doubtful Accounts				(1,414,776)	
Net Energy Loans Receivable				$ 2,279,654	

Once approved, project loan amounts are deposited into the appropriate escrow accounts awaiting disbursement. During 2016, there were no new projects approved, nor any disbursements for previously approved projects, made out of these escrow accounts (addition to loans outstanding). During the year $655,913 of principal repayments (reduction in loans outstanding) were received. Each loan payment includes a loan servicing fee. As loan payments are received by OAQDA, repayment amounts will be deposited into a separate bank account and be subsequently remitted to the DSA in accordance with the requirements of the Advanced Energy Loan Program.

Provisions of the individual loan agreements include forgiveness of a portion of outstanding loan principal should the companies meet certain job creation targets. The amounts of the loan principal to be forgiven are set on a loan to loan basis and range from $100,000 to $3.3 million. During 2016 there was $100,500 in loans outstanding forgiven as the borrower met the incentive clause contained within the agreement.

During 2016, the Attorney General's Office finalized the settlement agreements on two separate loans which had previously been declared in default by the Authority and assigned to the Attorney General's Office for collection. As a result of these settlement agreements, the authority removed the two loans from the financial statements after settlement proceeds were collected and the allowance amounts for the other two loans were adjusted based on anticipated settlement proceeds to be received subsequent to the end of the year. In addition, during 2016 the Authority determined another loan receivable met the Authority's policy for establishing an allowance due to excessive nonsufficient funds activity.

At December 31, 2016 $1,971,998 of energy loans are considered due within one year ($3,386,774 in gross loans less $1,414,776 in allowance for doubtful accounts) and $307,656 are considered due in more than one year ($307,656 in gross loans less $0 in allowance for doubtful accounts).

Similar to the allowance established for the energy loans receivable, the Authority has established an allowance for doubtful accounts associated with accrued interest receivable associated with those loans. At December 31, 2016, the Authority reported total accrued loan interest receivable in the amount of $50,000 less an allowance for doubtful accounts of $25,000.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Office equipment	$ 90,430	$ -	$ -	$ 90,430
Less accumulated depreciation for:				
Office equipment	(86,829)	(1,236)	-	(88,065)
Total capital assets, net	$ 3,601	$ (1,236)	$ -	$ 2,365

7. OPERATING LEASES

The Authority has entered into lease agreements for office space, a copier and a postlink system. 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 2016 was $67,910. The terms of the leases are not anticipated to change significantly in future fiscal years.

8. PENSION PLAN

Ohio Public Employees Retirement System (OPERS)

Plan Description and Plan Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, the Combined Plan, and the Member-Directed Plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS's fiduciary net position. That report can be obtained by visiting https://www.opers.org/about/finance/index.shtml.

The Traditional Pension Plan. The Traditional Pension Plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and final average salary. The pension benefits are funded by both member and employer contributions, and investment earnings on those contributions.

The Combined Plan. The Combined Plan is a defined benefit plan with elements of a defined contribution plan. Under the Combined Plan, members earn a formula benefit similar to, but at a factor less than, the Traditional Pension Plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment earnings (or losses) on those contributions. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

The Member–Directed Plan. The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The retirement distribution under this plan is equal to the sum of member and vested employer contributions, plus investment earnings (or losses) on those contributions. Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use his/her defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Plan benefits, and any benefit increases, are established by legislature pursuant to Chapter 145 of the Ohio Revised Code. The Board of Trustees, pursuant to Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

Senate Bill (SB) 343 enacted into law new legislation 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. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Age and Service Defined Benefits. Benefits in the Traditional Pension Plan for members are calculated on the basis of age, final average salary, and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Members in transition Group C are eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first

30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. The final average salary 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 an 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 benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age and service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary for the first 35 years of service and a factor of 1.25% is applies to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions, plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits. Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan was discussed above. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the member's contributions, vested employer contributions and investment gains and losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance, net of taxes withheld, or a combination of these options.

Additional information on other benefits available can be found in the OPERS CAFR.

Funding Policy

The OPERS funding policy provides for periodic employee and employer contributions to all three plans at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of OPERS' external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2016. Plan members were required to contribute 10% of covered payroll. The Authority contribution rate was 14% of covered payroll.

The Authority's contractually required contributions to OPERS for 2016 was $41,208, including $8,933 to the Member-Directed Plan option.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPERS

The net pension liability was measured as of December 31, 2015, 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 $198,034 as its proportionate share. The Authority's proportion was 0.00121871% for the traditional Plan and 0.02684017% for the Combined Plan. The Authority recognized $29,343 in pension expense.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2016:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Authority contributions subsequent to measurement date	$ 30,419	$ -	$ 30,419
Net difference between projected and actual investment earnings (1)	69,426	-	69,426
Differences between expected and actual experence (1)	-	(10,658)	(10,658)
Change in the Authority's proportionate share	-	(28,355)	(28,355)
	$ 99,845	$ (39,013)	$ 60,832

(1) - Information provided by OPERS

$30,419 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, 2016. 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:			
2017	$ 18,032	$ (16,888)	$ 1,144
2018	18,032	(15,609)	2,423
2019	18,030	(3,150)	14,880
2020	15,332	(697)	14,635
2021	-	(697)	(697)
Thereafter	-	(1,972)	(1,972)
	$ 69,426	$ (39,013)	$ 30,413

Actuarial Assumptions
Total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Plan	Combined Plan
Investment rate of return	8.00%	8.00%
Wage inflation	3.75%	3.75%
Projected salary increases	4.25% - 10.05% (includes wage inflation at 3.75%)	4.25% - 8.05% (includes wage inflation at 3.75%)
Cost-of-living adjustments	3.00% simple	3.00% simple

Source: OPERS 2015 CAFR

Mortality rates are the RP-2000 mortality table projected 20 years using Projected Scale AA. For males, 105% of the combined health male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disable female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

Long Term Expected Rate of Return: The allocation of investment assets within the defined benefit portfolio is approved by the Board 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 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 class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy and the long term expected arithmetic real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.27%

Source: OPERS 2015 CAFR

Discount Rate: The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. 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 for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following chart represents the Authority's proportionate share of the net pension liability at the 8% discount rate as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (7.00%)	Current Discount Rate of 8.00%	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	$ 335,617	$ 198,034	$ 81,978

Source: OPERS 2015 CAFR multiplied by Authority's proportionate share

Change Between Measurement Date and Report Date: In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

9. OTHER POST-EMPLOYMENT BENEFITS

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, 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 the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code (ORC) permits, but does not require, OPERS to provide OPEB benefits to its eligible recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, or by calling 800-222-7377.

Funding Policy
The ORC provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, the Authority contributed at a rate of 14.00% of earnable salary. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS’ Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional and combined plans was 2.0% during calendar year 2016. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the numbered of covered dependents and the coverage selected.

The portion of the Authority’s contributions to OPERS used to fund post-employment benefits for the years ended December 31, 2016, 2015 and 2014 were $4,611, $6,246 and $6,210, respectively, and are equal to 100% of the required contributions for each year.

10. LONG-TERM OBLIGATIONS

The change in the Authority's long-term obligations for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Net Pension Liability	$ 178,341	$ 19,693	$ -	$ 198,034

11. INTERFUND ACTIVITY

At December 31, 2016, the energy strategy development program owed the air quality development activity a total of $37,000 for its share of the overhead operating expenses from prior years. The reimbursement of these funds is anticipated to occur during calendar year 2017. Also, during the year, the air quality development authority recorded a transfer of $65 to the energy strategy development program as a certain operating expense of the energy strategy development program was paid by the air quality development activity without expectation of repayment.

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 THREE MEASUREMENT YEARS (1), (2)

	2015	2014	2013
Authority's Proportion of the Net Pension Liability:			
Traditional Plan	0.001219%	0.001571%	0.001571%
Combined Plan	0.026840%	0.028929%	0.028929%
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 198,034	$ 178,341	$ 182,164
Authority's Covered - Employee Payroll (3)	$ 312,275	$ 310,667	$ 257,092
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	63.42%	57.41%	70.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:			
Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	116.90%	114.83%	104.56%

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

(1) Information presented based on measurement periods ended December 31.

(2) Information prior to 2013 is not available.

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

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

	2016	2015	2014	2013	2012	2011
Contractually Required Contributions (2)	$ 39,352	$ 37,473	$ 37,280	$ 33,422	$ 22,869	$ 26,034
Contributions in Relation to the Contractually Required Contributions	$ (39,352)	$ (37,473)	$ (37,280)	$ (33,422)	$ (22,869)	$ (26,034)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered-Employee Payroll	$ 327,933	$ 312,275	$ 310,667	$ 257,092	$ 228,690	$ 260,340
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%

Source: Authority's financial records.

(1) Represents employer's calendar year. Information prior to 2011 was not practically available. The Authority will continue to present information for years available until a full ten-year trend is compiled.

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

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Assets:				
Cash and cash equivalents	$ -	$ 523,559	$ 523,559	$ -
Total Assets	$ -	$ 523,559	$ 523,559	$ -
Liabilities:				
Due to others	$ -	$ 523,559	$ 523,559	$ -
Total Liabilities	$ -	$ 523,559	$ 523,559	$ -

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

Ohio Air Quality Development Authority
50 West Broad Street, Suite 1718
Columbus, Ohio 43215

To the Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and each major fund of the Ohio Air Quality Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Entity's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199
www.ohio auditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 30, 2017

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	MATERIAL WEAKNESS: The Statement of Cash Flows for the Energy Strategy Development fund understated the "Decrease in energy loans receivable" amount by $1,268,750 (recorded as $6,851,363 but should have been $8,120,113) and overstated the "Decrease in loan interest receivable" amount by $1,268,750 (recorded as $1,270,396 but should have been $1,646). This occurred within the reconciliation of operating income to net cash provided by operating activities section of the Statement. The Statement of Net Position for the Air Quality Development fund understated the "Current Assets: Investments" amount by $500,010 (recorded as $497,626 but should have been $997,636) and overstated the "Noncurrent Assets: Investments" amount by $500,010 (recorded as $5,226,401 but should have been $4,726,391). In addition, Footnote 4, "Deposits and Investments", misclassified the Authority's exposure to interest rate risk on FHLB (Federal Home Loan Bank) investments by reporting $500,010 in the "2 to 3 Years" maturity column instead of in the "1 Year or Less" column.	The Authority took immediate action to make adjustments to address the related transactions and to improve the financial reporting process for the future. Clear steps have been formally outlined to ensure that the contracted accountant has all necessary information to accurately prepare financial statements. Those steps include multiple layers of documented review by the Fiscal Officer and Executive Director of the prepared financial statements. Finding for 2015 audit is fully corrected. <u>Below are the comments from the Authority's Fiscal Officer Michael Weiland regarding the 2016 audit</u> The 2015 audit finding addressed certain "line-item reclassifications" of amounts within the financial statement. It is important to note the financial statements and disclosures were complete and contained all required financial activity for calendar year 2015 and the overall net position of the Authority's activities was not changed by the reclassifications noted in the 2015 audit finding. In addition, once the Authority receives the draft financial statements from the compiler, a more detailed review is completed compared with past years review of the financial statements to further minimize misstatements within the financial statements.	The Authority hired a new fiscal officer in April 2016 on a temporary basis and full time in August 2016. The new fiscal officer is responsible for assisting with the financial statement review process of the GAAP financial statements. Once the Authority receives the draft financial statements from the compiler, a more detailed review is completed compared with past years review of the financial statements.

This page intentionally left blank.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 11, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov