OHIO AIR QUALITY DEVELOPMENT AUTHORITY
FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Governing Board
Ohio Air Quality Development Authority
50 West Broad Street, Suite 1118
Columbus, Ohio 43215

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, 2022 through December 31, 2022. 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 01, 2023

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Ohio Air Quality Development Authority
Franklin County, Ohio
Table of Contents
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 12, 2023 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 12, 2023

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, 2022. 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 2022, OAQDA was responsible for the administration of three programs: Clean Air Improvement Program (CAIP); the Clean Air Resource Center (CARC); and the Solar Generation Fund. CAIP and CARC are combined in the air quality development activity which is reported as an enterprise fund. CAIP is a self-supporting activity which provides bond financing and tax benefits for air quality facilities within the State of Ohio. Under program guidance and through a due diligence process subject to approval by the OAQDA board, qualified projects can include energy conservation measures, efficiently-designed whole-buildings, renewable energy generation, clean transportation infrastructure, greenhouse gas and air pollutant reduction, or solid waste recycling or disposal, and must demonstrate ongoing air quality benefits during the term of the financing. OAQDA also launched the ability to designate green bonds for qualified projects evaluated through CAIP and in accordance with the international market standards related to ESG, or environmental, social and governance in order to assist businesses with compliance needs.

CARC provides financial and technical assistance to small businesses as they comply with requirements of the Clean Air Act. OAQDA serves as the small business ombudsman and implements plans to support many neighborhood businesses facing financial hardship with environmental regulations. Qualified projects are approved for bond financing and grant awards, which offset principal and closing costs. The grant funding is supported through a transfer of cash from the Ohio Environmental Protection Agency. Those funds are from Title V air permit fees.

OAQDA is the program administrator of the State of Ohio's Solar Generation Fund, (SGF), as prescribed in Amended House Bill 6 by the 133rd General Assembly and amended by House Bill 128 of the 134th General Assembly. Operators of facilities approved to participate in the SGF will report to OAQDA the number of megawatt hours (MWh) of eligible generation produced in order to receive a subsidy of $9 per MWh. The program was launched in 2020 for reporting from approved facilities that are generating solar electricity. Initially, only a small percentage of the approved facilities are operational, but more are scheduled to become active in the next few years. Payments are provided one year later from the date of the quarter when reported generation was submitted. The funds are collected monthly from the electric distribution utilities from a surcharge on electric customers, as stipulated in state law. Total annual funds available is $20 million.

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

Financial Highlights

Key financial highlights for the year ended December 31, 2022 are as follows:

- Total net position of OAQDA increased by $19.4 million in 2022 from the $9.4 million balance at December 31, 2021 to $28.8 million one year later. Net position of the air quality development activity decreased $42,866 while the net position of the solar generation activity increased by $19.4 million. The decrease in air quality development's net position was due primarily to the decreases in the fair value of the investments held at year-end, as well as some increases in expenses related to new positions to handle greater program responsibilities during the year. The increase in the solar generation activity resulted from fee remittances exceeding expenses associated with the program during the infancy of the program. 2022 was the first year in which solar facility subsidies were issued, $282,564, compared with the $19.9 million of solar generation remittances collected during the year.

- Total revenues of the OAQDA's enterprise activities increased by $19.0 million compared to those reported for the prior year. The primary driver of the overall increase was the $19.9 million of solar generation remittances reported for the current year compared with $1.4 million reported for the prior year. Project administration fees increased $838,502 due to the timing of bond closings and increased program demand from businesses and developers in the clean air program. The increase in the negative investment earnings reported for 2022 resulted from the adjustment necessary to record year-end investments at fair value.

- The total expenses of the enterprise activities of OAQDA reported for 2022 was $1.7 million compared with the $984,288 reported for 2021. The most significant increase in expenses for 2022 compared to 2021 relate to increased wages and personnel due to new positions created to handle greater program responsibilities, as well as a decrease in the year-end adjustment necessary to record pension and OPEB amounts. Professional fees increased as the number and complexity of bonds issued during the year increased requiring additional consultation time. As previously mentioned, $282,564 of additional expenses were added as 2022 was the first year in which solar facilities subsidies were issued by the solar generation activity.

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, 2022. 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. Following the notes to the financial statements, certain schedules and information regarding the Authority's proportionate share of pension and OPEB amounts, as well as annual contributions, are presented as required by the Governmental Accounting Standards Board.

The OAQDA as a Whole

The following tables provide a summary of OAQDA's financial position and operations for 2022 and 2021, respectively.

TABLE 1
NET POSITION

	2022	Restated 2021	Dollar Change	Percent Change
Assets:				
Current and Other Assets	$ 28,981,332	$ 9,675,310	$ 19,306,022	199.54%
Capital Assets, Net	62,636	119,817	(57,181)	-47.72%
Total Assets	29,043,968	9,795,127	19,248,841	196.51%
Deferred Outflows of Resources:				
Pension and OPEB	165,082	220,421	(55,339)	-25.11%
Liabilities:				
Current and Other Liabilities	112,241	111,027	1,214	1.09%
Long-Term Liabilities:				
Due in more than One Year - Pension	33,146	146,322	(113,176)	-77.35%
Due in more than One Year - Other	3,885	51,527	(47,642)	-92.46%
Total Liabilities	149,272	308,876	(159,604)	-51.67%
Deferred Inflows of Resources:				
Pension and OPEB	302,250	302,221	29	0.01%
Net Position:				
Net investment in Capital Assets	11,109	18,616	(7,507)	-40.33%
Restricted:				
Solar Generation Subsidies	20,319,652	923,709	19,395,943	2099.79%
Unrestricted	8,426,767	8,462,126	(35,359)	-0.42%
Net Position	$ 28,757,528	$ 9,404,451	$ 19,353,077	205.79%

Table 2 shows the changes in net position for the years ended December 31, 2022 and 2021.

TABLE 2
CHANGE IN NET POSITION

	2022	2021	Dollar Change	Percent Change
Operating Revenues:				
Project administration fees	$ 1,289,124	$ 450,622	$ 838,502	186.08%
EPA fees	202,291	241,019	(38,728)	-16.07%
Solar generation remittances	19,882,152	1,379,868	18,502,284	1340.87%
Miscellaneous	-	15	(15)	-100.00%
Non-Operating Revenues:				
Investment earnings	(293,786)	(24,220)	(269,566)	1112.99%
Total Revenue	21,079,781	2,047,304	19,032,477	929.64%

(continued)

TABLE 2
CHANGE IN NET POSITION
(Continued)

	2022	2021	Dollar Change	Percent Change
Operating Expenses:				
Salaries and benefits	735,383	356,686	378,697	106.17%
Professional fees	422,863	336,590	86,273	25.63%
Travel	6,521	394	6,127	1555.08%
Research grants/projects	129,112	156,397	(27,285)	-17.45%
Solar facilities subsidies	282,564	-	282,564	100.00%
Administrative/office supplies	70,740	69,232	1,508	2.18%
Depreciation/amortization	60,656	4,512	56,144	1244.33%
Rental	16,685	60,477	(43,792)	-72.41%
Non-Operating Revenues:				
Interest expense	2,180	-	2,180	100.00%
Total Expenses	1,726,704	984,288	742,416	75.43%
Change in net position	19,353,077	1,063,016	18,290,061	1720.58%
Net position, January 1	9,404,451	8,341,435	1,063,016	12.74%
Net position, December 31	$ 28,757,528	$ 9,404,451	$ 19,353,077	205.79%

As displayed in Table 1, the OAQDA reported a net position of $28.8 million at December 31, 2022 compared to the $9.4 million balance at the beginning of the year. Net position at year-end restricted for specific purposes totaled $20.3 million; all of which is restricted for future solar generation subsidies and related expenses. At December 31, 2022 the unrestricted net position of the air quality development activity represents nearly 6.4 times the total annual operating expenses for the activity reported for 2022.

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 assets/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, to the net pension liability to the reported net position and subtracting deferred outflows related to pension and OPEB plus the net OPEB asset.

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 total 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 any net pension or OPEB liability that may be reported. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of any 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 any net pension or liability that may be reported are satisfied, these liabilities will be 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 the change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Overall, total net position of OAQDA increased by $19.4 million in 2022 from the $9.4 million balance at December 31, 2021 to $28.8 million one year later. Net position of the air quality development activity decreased $42,866 while the net position of the solar generation activity increased by $19.4 million. The decrease in air quality development's net position was due primarily to the decreases in the fair value of the investments held at year-end, as well as some increases in expenses related to new positions to handle greater program responsibilities during the year. The increase in the solar generation activity resulted from fee remittances exceeding expenses associated with the program during the infancy of the program. 2022 was the first year in which solar facility subsidies were issued, $282,564, compared with the $19.9 million of solar generation remittances collected during the year.

Table 2 shows total revenues of the OAQDA's enterprise activities increased by $19.0 million compared to those reported for the prior year. The primary driver of the overall increase was the $19.9 million of solar generation remittances reported for the current year compared with $1.4 million reported for the prior year. Project administration fees increased $838,502 due to the timing of bond closings and increased program demand from businesses and developers in the clean air program. The increase in the negative investment earnings reported for 2022 resulted from the adjustment necessary to record year-end investments at fair value.

The total expenses of the enterprise activities of OAQDA reported for 2022 was $1.7 million compared with the $984,288 reported for 2021. The most significant increase in expenses for 2022 compared to 2021 relate to increased wages and personnel due to new positions created to handle greater program responsibilities, as well as a decrease in the year-end adjustment necessary to record pension and OPEB amounts. Professional fees increased as the number and complexity of bonds issued during the year increased requiring additional consultation time. As previously mentioned, $282,564 of additional expenses were added as 2022 was the first year in which solar facilities subsidies were issued by the solar generation activity.

Capital Assets

At December 31, 2022, the OAQDA had a total of $178,206 invested in capital assets, including intangible right to use leased assets, less accumulated depreciation/amortization of $115,570 resulting in total capital assets, net of accumulated depreciation/amortization of $62,636. During the year, OAQDA acquired various pieces of computer equipment totaling $3,475, while depreciation/amortization expense for the year totaled $60,656. Additional information on the OAQDA's capital assets can be found in Note 4 to the basic financial statements.

Long-Term Debt Obligations

At December 31, 2022, the only outstanding debt obligations of OAQDA were lease liabilities totaling $51,527, with $47,642 of that total due within one-year. Seen Note 7 to the basic financial statements for additional information on OAQDA's debt obligations.

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, 2022

	Air Quality Development	Solar Generation	Total Business-Type Activities
Assets:			
Current Assets:			
Cash and cash equivalents	$ 2,744,559	$ -	$ 2,744,559
Investments	1,305,154	-	1,305,154
Accrued interest receivable:			
Investment income	23,723	-	23,723
Prepaid items	9,479	-	9,479
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	20,319,652	20,319,652
Total Current Assets	4,082,915	20,319,652	24,402,567
Noncurrent Assets:			
Investments	4,487,361	-	4,487,361
Net OPEB asset	91,404	-	91,404
Capital assets, net	62,636	-	62,636
Total Noncurrent Assets	4,641,401	-	4,641,401
Total Assets	8,724,316	20,319,652	29,043,968
Deferred Outflows of Resources:			
Pension and OPEB	165,082	-	165,082
Liabilities:			
Current Liabilities:			
Accounts payable	41,139	-	41,139
Accrued wages and benefits	23,460	-	23,460
Lease liability	47,642	-	47,642
Total Current Liabilities	112,241	-	112,241
Noncurrent Liabilities:			
Net pension liability	33,146	-	33,146
Lease liability, net of current portion	3,885	-	3,885
Total Noncurrent Liabilities:	37,031	-	37,031
Total Liabilities	149,272	-	149,272
Deferred Inflows of Resources:			
Pension and OPEB	302,250	-	302,250
Net Position:			
Net investment in capital assets	11,109	-	11,109
Restricted for:			
Solar generation subsidies	-	20,319,652	20,319,652
Unrestricted	8,426,767	-	8,426,767
Total Net Position	$ 8,437,876	$ 20,319,652	$ 28,757,528

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, 2022

	Air Quality Development	Solar Generation	*Reclassifications and Eliminations*	Total Business-Type Activities
Operating Revenues:				
Project administration fees	$ 1,289,124	$ -	$ -	$ 1,289,124
Small business ombudsman fees	129,578	-	-	129,578
Small business assistance program fees	72,713	-	-	72,713
Solar generation remittances	-	19,882,152	-	19,882,152
Interstate solar generation recovery	76,671	-	*(76,671)*	-
Total operating revenues	1,568,086	19,882,152	*(76,671)*	21,373,567
Operating Expenses:				
Salaries and employee benefits	655,594	-	*79,789*	735,383
Professional fees	386,705	-	*36,158*	422,863
Travel	6,521	-	-	6,521
Research grants and projects	129,112	-	-	129,112
Solar facilities subsidies	-	282,564	-	282,564
Program administration expenses	-	203,678	*(203,678)*	-
Office supplies and other expenses	65,165	(33)	*5,608*	70,740
Depreciation and amortization	60,656	-	-	60,656
Rental expense	11,233	-	*5,452*	16,685
Total operating expenses	1,314,986	486,209	*(76,671)*	1,724,524
Operating income	253,100	19,395,943	-	19,649,043
Nonoperating revenues/(expenses):				
Investment earnings:				
Interest revenue	69,310	-	-	69,310
Change in fair value of investments	(363,096)	-	-	(363,096)
Interest expense	(2,180)	-	-	(2,180)
Total nonoperating revenues/(expenses)	(295,966)	-	-	(295,966)
Change in net position	(42,866)	19,395,943	-	19,353,077
Net position, January 1, 2022	8,480,742	923,709		9,404,451
Net position, December 31, 2022	$ 8,437,876	$ 20,319,652		$ 28,757,528

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Air Quality Development	Solar Generation	*Reclassifications and Eliminations*	Total Business-Type Activities
Cash flows from operating activities:				
Receipts from customers	$ 1,289,124	$ -	*$ -*	$ 1,289,124
Cash received from OEPA	202,291	-	-	202,291
Solar generation remittances	-	19,882,152	-	19,882,152
Intrastate solar generation recovery	76,671	-	*(76,671)*	-
Payments for solar facilities subsidies	-	(282,564)	-	(282,564)
Payments to suppliers and vendors	(599,504)	(203,645)	*156,460*	(646,689)
Payments to employees	(747,419)	-	*(79,789)*	(827,208)
Net cash provided by operating activities	221,163	19,395,943	-	19,617,106
Cash flows from capital activities:				
Acquisition of capital assets	(3,475)	-	-	(3,475)
Lease liability payments	(49,674)	-	-	(49,674)
Interest expense	(2,180)	-	-	(2,180)
Net cash used by capital activities	(55,329)	-	-	(55,329)
Cash flows from investing activities:				
Purchase of investments	(4,027,876)	-	-	(4,027,876)
Sale of investments	3,993,257	-	-	3,993,257
Investment earnings	49,657	-	-	49,657
Net cash provided by investing activities	15,038	-	-	15,038
Net increase in cash and cash equivalents	180,872	19,395,943	-	19,576,815
Cash and cash equivalents - beginning of year	2,563,687	923,709		3,487,396
Cash and cash equivalents - end of year	$ 2,744,559	$ 20,319,652		$ 23,064,211
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 253,100	$ 19,395,943		$ 19,649,043
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	60,656	-		60,656
Decrease in prepaid expense	3,965	-		3,965
Increase in net OPEB asset	(41,996)	-		(41,996)
Decrease in deferred outflows of resources	55,339	-		55,339
Decrease in accounts payable	(4,733)	-		(4,733)
Increase in accrued wages and benefits payable	7,979	-		7,979
Decrease in net pension payable	(113,176)	-		(113,176)
Increase in deferred inflows of resources	29	-		29
Net cash provided by operating activities	$ 221,163	$ 19,395,943		$ 19,617,106
Schedule of non-cash investing activities:				
Change in fair value of investments	$ (363,096)	$ -		$ (363,096)

See accompanying notes to the financial statements.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2022

Assets:	
Intergovernmental receivable	$ 4,187
Total Assets	4,187
Liabilities:	
Due to other organizations	4,187
Total Liabilities	4,187
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, 2022

Additions:	
Pass-through grant funding for other organizations	$ 15,353
Total Additions	15,353
Deductions:	
Grant funding passed-through to other organizations	15,353
Total Deductions	15,353
Change in fiduciary net position	-
Net position, January 1, 2022	-
Net position, December 31, 2022	-

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.

Conduit Debt Obligations

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.

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, 2022 was approximately $3.16 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 became 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.

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.

Solar Generation Fund

In 2020, the Ohio General Assembly approved the State of Ohio’s Solar Generation Fund (SGF), through enabling legislation which directed the program to be administered by OAQDA. Operators of facilities approved to participate in the SGF will report to OAQDA the number of megawatt (MWh) of eligible generation produced. In order to receive a subsidy of $9 per MWh, the generation must be retired in PJM-EIS’ Generation Attribute Tracking System. Initially, only a small percentage of approved facilities are operational, but more are scheduled to become active in the next few years. Payments for retired generation are provided one year later from the date of the quarter when reported generation was submitted. The funds are collected monthly from the electric distribution utilities from a surcharge fee on electric customers, as stipulated in State law. Total annual funds available under this program is approximately $20 million. OAQDA is reimbursed the operating expenses associated with administering the program from the surcharge fees remitted to the State.

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 solar generation fund business-type activities and the custodial fund accounting for the Diesel Emissions Reduction Grants Program) are aggregated and included in the ACFR 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, 2022.

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 2022, the Authority reported two enterprise funds (air quality development activity and solar generation fund) and one custodial fiduciary fund.

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 2022, 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.

Solar Generation – This fund accounts for the financial activity related to coordinating and administering of a State energy strategy to facilitate ongoing solar generation facilities by providing operating subsidies based on MWh generated and reported in the prior year. The program is funded through remittances of user surcharge fees collected by the electric distribution utilities within the State.

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 assets 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 5 and 6.

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 assets 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 5 and 6.

G. <u>Cash, Cash Equivalents, and Investments</u>

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 2022, investments were limited to U.S. Treasury Notes, Federal Agency securities, and U.S. Government money market. Investments are reported at fair value.

H. <u>Capital Assets</u>

Capital assets are recorded at cost and capitalized if the purchase price is $1,000 or more. Donated capital assets are recorded at acquisition value as of the date received. The Authority reports intangible right to use assets related to leased office space and equipment. The intangible assets are being amortized in a systemic and rational manner of the shorter of the lease term or the useful life of the underlying asset. Depreciation/amortization is computed using the straight-line method over lives ranging from one to ten years.

I. <u>Enterprise Fund Revenue</u>

<u>Project Administrative Fees</u>

In the Air Quality Development Activity, the Authority charges the borrower an initial administrative fee based on the size of the bond issue. In addition, annual administrative fees are charged based on the outstanding par amount of the bond issue, with payment due annually on date(s) that are specified in each applicable bond document. From these administrative fees, the Authority pays all operating expenses for maintaining agency operations and professional 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.

<u>Solar Generation Fund Remittances</u>

For the Solar Generation Fund, operating revenues to administer the program are derived from remittances of user surcharge fees collected by the electric distribution utilities within the State. From these remittances, it is anticipated the Authority will pay all general operating and administrative costs associated with administering the State's solar generation subsidy program for eligible generation of solar power. During 2022, expenses of the program were limited to operating and administrative costs of the Authority and generation subsidies paid to facilities for retired generation.

Other Fees and Income

The Authority receives reimbursements from the Ohio Environmental Protection Agency for the cost of operating the two small business programs reported within the Air Quality Development Activity. 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 remittance of solar generation surcharge fees as operating revenues.

J. Restricted Assets

The solar generation fund remittances collected by the electric distribution utilities within the State are deposited into a demand deposit account for which the Treasurer of State of Ohio is named as the custodian. Eligible expenses are submitted to the State and upon approval are paid by the State. The balance of funds at year end are reported as "restricted cash and cash equivalents with fiscal agent" as State approval is necessary for use.

K. Accrued Wages and Benefits

Accrued wages consist of wages payable to Authority employees as of December 31, 2022. The accrued wages balance consists of $23,460 owed to employees for work performed, and related benefits associated, during the fiscal year but which they were not compensated until the subsequent year.

L. 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.

M. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OBEP assets, 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.

N. 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.

O. 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.

P. 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/amortization, reduced by the outstanding balances of any borrowings or leases used to acquire or improve those assets. 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 $23,064,211, including restricted cash and cash equivalents with fiscal agent, and the depository balance was $23,064,211. The Authority’s deposits at year-end consisted of the following:

Deposits with Treasurer of State of Ohio:		
Operating - Payroll Clearing	$ 263,026	
Small Business Ombudsman	525,719	
Small Business Assistance	656,097	
Total on Deposit with Treasurer of State		$ 1,444,842
Deposits with Financial Institutions:		
Trust - Bank Money Market Funds	1,289,440	
Demand Deposit - Revenue Holding	10,277	
Restricted - Custodial Demand Deposit	20,319,652	
Total on Deposit with Financial Institutions		21,619,369
Total Deposits		$ 23,064,211

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 $20,329,929 in demand deposit accounts; $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) with the remainder being covered by pledged pool collateral or through the State of Ohio’s pooled collateral system administered by the Ohio Treasurer’s Office.

Investments:
The Investment Policy adopted by the Board provides investment guidance for the allowable investments of the Agency. 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, 2022, the Authority had the following investments:

		Investment Maturities in Years			Concentration
Investment Type	Measurement Value	1 Year or Less	2 to 3 Years	4 to 5 Years	of Credit Risk
FHLB	$ 3,030,295	$ -	$ 1,223,952	$ 1,806,343	52.31%
FFCB	1,009,918	648,546	256,282	105,090	17.44%
FHLMC	415,931	-	415,931	-	7.18%
FNMA	534,935	146,515	388,420	-	9.23%
U.S. Treasury	730,162	438,819	65,631	225,712	12.61%
Treasury Money Market	71,274	71,274	-	-	1.23%
Totals	$ 5,792,515	$ 1,305,154	$ 2,350,216	$ 2,137,145	100.00%

Credit Risk: At December 31, 2022 the FHLB, FFCB, FHLMC, and FNMA 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, 2022, 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. The U.S. Treasury notes are categorized as Level 1. The remainder of the Authority's negotiable investments are categorized as Level 2 as values are obtained from trustees who use various pricing services.

4. CAPITAL ASSETS

During 2022, the Authority implemented GASB Statement No. 87 which required the reporting of capital assets for the right to use leased office space and equipment which have been added to the restated beginning balance in the table below (See Note 9 for additional details). Capital asset activity for the year ended December 31, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Office equipment	$ 73,530	$ 3,475	$ -	$ 77,005
Intangible right to use:				
Leased office space	94,393	-	-	94,393
Leased equipment	6,808	-	-	6,808
Less: accumulated depreciation/ amortization for:				
Office equipment	(54,914)	(5,204)	-	(60,118)
Intangible right to use:				
Leased office space	-	(53,939)	-	(53,939)
Leased equipment	-	(1,513)	-	(1,513)
Total capital assets, net	$ 119,817	$ (57,181)	$ -	$ 62,636

5. 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 (ORC) limits the Authority's obligation for this liability to annual 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 the net pension liability would be effective when the changes are legally enforceable.

Plan Description and Plan Benefits

Plan Description—Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-share, 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 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 disclosure focuses 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 ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS's fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 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 plan as per the reduced benefits adopted by SB 343 (see OPERS' ACFR 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 5 years of service credit or age 55 with 25 years of service credit.	**Age and Service Requirements:** Age 60 with 5 years 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 2021 ACFR

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 2022, 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 $63,213 for 2022.

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, 2021, 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 $33,146 as its proportionate share. The Authority's proportion was 0.001574% for the traditional Plan and 0.026341% for the Combined Plan, which represent an increase of 0.000032% and a decrease of 0.000346% from the proportionate share of the prior year, respectively. The Authority recognized ($1,295) in pension expense for 2022.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2022:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Authority contributions subsequent to measurement date	$ 63,213	$ -	$ 63,213
Net difference between projected and actual investment earnings (1)	-	(185,127)	(185,127)
Change in assumptions (1)	22,338	-	22,338
Differences between expected and actual experience (1)	7,626	(14,611)	(6,985)
Change in the Authority's proportionate share and differences in contributions	35,150	(8,074)	27,076
	$ 128,327	$ (207,812)	$ (79,485)

(1) - Information provided by OPERS

$63,213 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, 2023. 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:			
2023	$ 44,123	$ (48,138)	$ (4,015)
2024	12,031	(74,953)	(62,922)
2025	2,750	(47,069)	(44,319)
2026	2,368	(32,685)	(30,317)
2027	2,217	(2,752)	(535)
Thereafter	1,625	(2,215)	(590)
	$ 65,114	$ (207,812)	$ (142,698)

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, 2021, 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:		
Current year	6.90%	6.90%
Prior year	7.20%	7.20%
Wage inflation		
Current year	2.75%	2.75%
Prior year	3.25%	3.25%
Future salary increases (including inflation):		
Current year	2.75% - 10.75%	2.75% - 8.25%
Prior year	3.25% - 10.75%	3.25% - 8.25%
Cost-of-living adjustments:		
Pre 1/7/2013 Retirees	3.00% simple	3.00% simple
Post 1/7/2013 Retirees	3.00% simple through 2022, then 2.05% simple	3.00% simple through 2022, then 2.05% simple
Actuarial cost method	Individual entry age	Individual entry age

Source: OPERS 2021 ACFR

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 of 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 a gain of 15.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
Total	100.00%	4.21%

Source: OPERS 2021 ACFR

Discount Rate: The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension 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 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 chart represents the Authority's proportionate share of the net pension liability/(asset) at the 6.90% discount rate, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (5.90%)	Current Discount Rate of 6.90%	1% Increase (7.90%)
Authority's proportionate share of the net pension liability/(asset)	$ 283,602	$ 33,146	$ (173,882)

Source: OPERS 2021 ACFR multiplied by Authority's proportionate share

6. DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Net OPEB Asset

The net OPEB asset 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 asset 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 asset. Resulting adjustments to the net OPEB asset 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 the plan's excess funded benefits is presented as a long-term *net OPEB asset* 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 OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension 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 the 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 75. See OPERS' ACFR referenced below for additional information.

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting 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 ORC provides the 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 2022, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the ORC. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0% during calendar year 2022. For the Combined Plan, the portion of the employer contributions allocated to health care was 0% from January 1, 2022 to June 30, 2022, and was 2% from July 1, 2022 to December 31, 2022.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2023 remains at 0% for the Traditional Pension Plan and 2% for the Combined Plan. 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 2022 was 4.0%, or $5,522.

OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB
The net OPEB asset and total OPEB liability for OPERS was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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 asset was based on the Authority's share of contributions to OPERS to the contributions of all participating entities. For 2022, the Authority reported a proportionate share of the net OPEB asset amounting to $91,404. The proportionate share for the Authority was 0.002918% for 2022 which was a 0.000145% increase from the prior year. The Authority recognized a negative $29,774 in OPEB expense for the year.

At December 31, 2022, 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	$ 5,522	$ -	$ 5,522
Net difference between projected and actual investment earnings (1)	-	(43,575)	(43,575)
Change in assumptions (1)	-	(36,999)	(36,999)
Differences between expected and actual experience (1)	-	(13,864)	(13,864)
Change in the Authority's proportionate share and differences in contributions	31,233	-	31,233
	$ 36,755	$ (94,438)	$ (57,683)

(1) - Information provided by OPERS

$5,522 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	Deferred Outflows	Deferred (Inflows)	OPEB Expense
2023	$ 30,354	$ (58,405)	$ (28,051)
2024	879	(20,254)	(19,375)
2025	-	(9,521)	(9,521)
2026	-	(6,258)	(6,258)
	$ 31,233	$ (94,438)	$ (63,205)

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 asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. 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	
Current measurement date	2.75%
Prior measurement date	3.25%
Projected salary increases	
Current measurement date	2.75% to 10.75%, including wage inflation
Prior measurement date	3.25% to 10.75%, including wage inflation
Single discount rate:	6.00%
Investment rate of return:	6.00%
Municipal bond rate:	
Current measurement date	1.84%
Prior measurement date	2.00%
Health care cost trend rate	
Current measurement date	5.5% initial, 3.50% ultimate in 2034
Prior measurement date	8.5% initial, 3.50% ultimate in 2035
Actuarial cost method	Individual entry age

Source: OPERS 2021 ACFR

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 a gain of 14.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00%	3.78%
REITs	7.00%	3.71%
International Equities	25.00%	4.88%
Risk Parity	2.00%	2.92%
Other Investments	7.00%	1.93%
Total	100.00%	3.45%

Source: OPERS 2021 ACFR

Discount Rate: A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate: The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the Authority's proportionate share of the net OPEB asset if it were calculated using a discount rate that is 1.0% point lower (5.00%) or 1.0% point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate of 6.00%	1% Increase (7.00%)
Authority's proportionate share of the net OPEB asset	$ 53,757	$ 91,404	$ 122,660

Source: OPERS 2021 ACFR 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2022 is 5.50%. 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 asset	$ 92,396	$ 91,404	$ 90,237

Source: OPERS 2021 ACFR multiplied by Authority's proportionate share

7. LONG-TERM OBLIGATIONS

During 2022, the Authority implemented GASB Statement No. 87 which required the reporting the liability for leases payable which was added to the restated beginning balance in the table below (See Note 9 for additional details). The change in the Authority's long-term obligations for the year ended December 31, 2022, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Net Pension Liability	$ 146,322	$ -	$ (113,176)	$ 33,146	$ -
Leases Payable	101,201	-	(49,674)	51,527	47,642
Total Long-Term Obligations	$ 247,523	$ -	$ (162,850)	$ 84,673	$ 47,642

Leases Payable: The Authority has entered into lease agreements for the use of right to use office space and equipment. As such, the Authority reports intangible capital assets and corresponding liabilities associated with these lease agreements based on future schedule lease payments. A summary of the lease agreements is presented below:

Lease Agreement	Lease Commencement	Term in Years	Lease End Date	Payment Method
Office Space	10/1/2017	6	10/31/2023	Monthly
Copier Equipment	8/1/2021	5	7/31/2026	Monthly

The following is a schedule of future lease payments under the above noted agreements:

Year Ended	Principal	Interest	Total
2023	$ 47,642	$ 700	$ 48,342
2024	1,522	86	1,608
2025	1,564	44	1,608
2026	799	6	805
Total	$ 51,527	$ 836	$ 52,363

8. CONTINGENCY – INTERSTATE SOLAR GENERATION RECOVERY

As prescribed in Amended House Bill 6 by the 133rd General Assembly and amended by House Bill 128 of the 134th General Assembly, OAQDA is the program administrator of the State of Ohio's Solar Generation Fund. Administration expenses of this program are incurred by and reported within the Air Quality Development activity on the accompanying financial statements. Program expenses are submitted to the State's Controlling Board for approval based on the State's fiscal year of July to June and there is no certainty that all, if any, of reimbursement of these expenses will occur until approval takes place. As such, OAQDA reports subsequent reimbursement of administration expenses as Interstate Solar Generation Recovery within the operating revenues of Air Quality Development activity. At December 31, 2022, $116,283 of Solar Generation administrative expenses for the period of July 1, 2022 through December 31, 2022 have been incurred, which will be submitted the State's Controlling Board for approval in calendar year 2023.

9. CHANGE IN ACCOUNTING PRINCIPLES

For 2022, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as well as GASB Statement 91, *Conduit Debt Obligations*.

GASB Statement No. 87 enhances the relevance and consistency of information regarding governments leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing the right to use the underlying asset. A lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is a lessee in agreements for office space and equipment. As such, the changes required by GASB Statement No. 87 have been incorporated into these statements by recording an intangible right to use leased assets of $101,201 at January 1, 2022; however this amount was offset by the recognition of a lease liability at the beginning of the year. Therefore, there was no effect on the beginning net position reported by the Authority for 2022.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by the issuers and eliminate diversity in practices associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The Statement clarifies existing definition of conduit debt obligations. The Authority reviewed the existing conduit debt obligations for 2022 and determined the implementation of this Statement would have no effect on the Authority's financial statements.

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 NINE MEASUREMENT YEARS (1), (2)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability:									
Traditional Plan	0.001574%	0.001508%	0.001128%	0.001510%	0.001503%	0.001324%	0.001219%	0.001571%	0.001571%
Combined Plan	0.026341%	0.026687%	0.023917%	0.017261%	0.024987%	0.025721%	0.026840%	0.028929%	0.028929%
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 33,146	$ 146,322	$ 173,064	$ 394,157	$ 201,846	$ 286,386	$ 198,034	$ 178,341	$ 182,164
Authority's Covered Payroll (3)	$ 357,650	$ 393,850	$ 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	9.27%	37.15%	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	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	169.88%	157.67%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions (2)	$ 63,213	$ 50,071	$ 55,139	$ 38,829	$ 39,118	$ 39,581	$ 39,352	$ 37,473	$ 37,280	$ 33,422
Contributions in Relation to the Contractually Required Contributions	$ (63,213)	$ (50,071)	$ (55,139)	$ (38,829)	$ (39,118)	$ (39,581)	$ (39,352)	$ (37,473)	$ (37,280)	$ (33,422)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 451,521	$ 357,650	$ 393,850	$ 277,350	$ 279,414	$ 304,469	$ 327,933	$ 312,275	$ 310,667	$ 257,092
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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/(ASSET) - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX MEASUREMENT YEARS (1), (2)

	2021	2020	2019	2018	2017	2016
Authority's Proportion of the Net OPEB Liability/(Asset)	0.002918%	0.002773%	0.001870%	0.001949%	0.002158%	0.002043%
Authority's Proportionate Share of the Net OPEB Liability/(Asset)	$ (91,404)	$ (49,408)	$ 258,253	$ 254,126	$ 234,322	$ 206,338
Authority's Covered Payroll	$ 357,650	$ 393,850	$ 277,350	$ 279,414	$ 327,933	$ 312,275
Authority's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-25.56%	-12.54%	93.11%	90.95%	71.45%	66.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	128.23%	115.57%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required OPEB Contributions	$ 5,522	$ 3,874	$ 1,028	$ 200	$ 200	$ 3,195	$ 6,559	$ 6,246	$ 6,213	$ 2,571
Contributions in Relation to the Contractually Required OPEB Contributions	$ (5,522)	$ (3,874)	$ (1,028)	$ (200)	$ (200)	$ (3,195)	$ (6,559)	$ (6,246)	$ (6,213)	$ (2,571)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 451,521	$ 357,650	$ 393,850	$ 277,350	$ 279,414	$ 304,469	$ 327,933	$ 312,275	$ 310,667	$ 257,092
Contributions as a Percentage of Covered Payroll	1.22%	1.08%	0.26%	0.07%	0.07%	1.05%	2.00%	2.00%	2.00%	1.00%

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%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five- year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

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.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five- year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

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*

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

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 (*Government Auditing Standards*), the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of 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, 2022, 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 12, 2023, 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.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 12, 2023

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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 5/11/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370