



**Auditor of State
Betty Montgomery**

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northeast Ohio Public Energy Council
Cuyahoga County
1615 Clark Avenue
Cleveland, Ohio 44109

To the Board of Directors:

We have audited the accompanying financial statements of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of NOPEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, NOPEC prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2003 on our consideration of NOPEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

This report is intended solely for the information and use of the management, Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 11, 2003

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Agency</u>	
Operating Cash Receipts:			
Management Fees	\$850,000	\$301,763	\$1,151,763
Interest	980	0	980
Total Operating Cash Receipts	850,980	301,763	1,152,743
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	43,226	0	43,226
Total Non-Operating Cash Receipts	43,226	0	43,226
Total Cash Receipts	894,206	301,763	1,195,969
Cash Disbursements:			
Communication Services	140,000	285,967	425,967
Legal Fees	205,490	0	205,490
Bookkeeping Services	7,200	0	7,200
Aggregation Services	142,803	0	142,803
Literature/Media	14,261	0	14,261
Office Supplies/Postage	8,580	0	8,580
Refunds/Miscellaneous	2,839	20	2,859
Total Cash Disbursements	521,173	285,967	807,160
Total Receipts Over/(Under) Disbursements	373,033	15,796	388,809
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	373,033	15,796	388,829
Fund Cash Balances, January 1, 2002	171,413	0	171,413
Fund Cash Balances, December 31, 2002	<u>\$544,446</u>	<u>\$15,796</u>	<u>\$560,242</u>

The notes to the financial statements are an integral part of this statement.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Agency</u>	
Operating Cash Receipts:			
Management Fees	\$500,000	\$71,059	\$571,059
Grants	175,000	0	175,000
Media Fees	60,931	0	60,931
Other	7,000	0	7,000
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	742,931	71,059	813,990
Total Cash Receipts	<hr/>	<hr/>	<hr/>
	742,931	71,059	813,990
Cash Disbursements:			
Communication Services	120,000	0	120,000
Legal Fees	327,810	0	327,810
Bookkeeping Services	2,892	0	2,892
Aggregation Services	16,800	0	16,800
Literature/Media	90,447	0	90,447
Office Supplies/Postage	3,661	0	3,661
Refunds/Miscellaneous	9,908	71,059	80,967
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	571,518	71,059	642,577
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	171,413	0	171,413
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	171,413	0	171,413
Fund Cash Balances, January 1, 2001	<hr/>	<hr/>	<hr/>
	0	0	0
Fund Cash Balances, December 31, 2001	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$171,413	\$0	\$171,413

The notes to the financial statements are an integral part of this statement.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC) is a jointly governed organization consisting of approximately 100 member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from eight Northeast Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Council, established under Ohio Revised Code Chapter 167 in November 2000, provides lobbying services to obtain gas and electric utility services at bulk rates for the individual utility customers in the communities it represents.

The Northeast Ohio Public Energy Council's management believes these financial statements present all activities for which the Northeast Ohio Public Energy Council is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

NOPEC uses fund accounting to segregate cash and investments that are restricted as to use. NOPEC classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Fiduciary Fund (Agency Fund)

Funds for which NOPEC is acting in an agency capacity are classified as agency funds. NOPEC had the following significant fiduciary fund:

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Fund (Agency Fund) (Continued)

Vendor Clearing Fund: This fund is used to account for assets, held by the Council, as an agent for NOPEC's third party gas supplier. These monies are remitted to NOPEC quarterly from Shell Energy and remitted to Green Mountain semi-annually.

Opt-Out Mailing Fund: This fund is used to account for monies collected to mail opt-out information to utility customers. The amounts are collected from the member communities and then paid back by NOPEC through a reimbursement from the utility supplier.

E. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council does pass an annual budget preceding the fiscal year.

2. REVENUE

NOPEC is funded through administrative fees received from energy suppliers with which it contracts to provide aggregated electricity and natural gas services to its members. NOPEC does not receive any public funds.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Northeast Ohio Public Energy Council maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$210,242	\$171,413
STAR Ohio	350,000	0
Total deposits and investments	<u>\$560,242</u>	<u>\$171,413</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation collateralized by securities specifically pledged by the financial institution.

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

4. MANAGEMENT FEE

For Fiscal Years 2001 and 2002, NOPEC's administrative fees were based on an annual contractually agreed upon amount. Effective for 2003, the administrative fees will be based on a percentage of the amount of utilities used by NOPEC customers.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northeast Ohio Public Energy Council
Cuyahoga County
1615 Clark Avenue
Cleveland, Ohio 44109

To the Board of Directors:

We have audited the financial statements of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether NOPEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of NOPEC in a separate letter dated April 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOPEC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of NOPEC in a separate letter dated April 11, 2003.

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This report is intended solely for the information and use of management and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 11, 2003



**Auditor of State
Betty Montgomery**

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NORTHEAST OHIO PUBLIC ENERGY COUNCIL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 27, 2003**