



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL  
ATHENS COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road  
The Plains, Ohio 45780-1231  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Southeast Ohio Public Energy Council  
Athens County  
PO Box 825  
Athens, Ohio 45701

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Southeast Ohio Public Energy Council, Athens County, Ohio (SOPEC), as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, SOPEC prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though SOPEC does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of SOPEC as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Southeast Ohio Public Energy Council, Athens County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of SOPEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SOPEC's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 26, 2019

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL  
ATHENS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Charges for Services	\$86,672
Empower Settlement	17,525
Intergovernmental	21,132
Miscellaneous	275
	125,604
<i>Total Cash Receipts</i>	<i>125,604</i>
<b>Cash Disbursements:</b>	
Mirror Customers	14,935
Business Expense	1,077
Business Registration Fees	926
Accounting Fees	2,409
Audit Expense	1,503
Legal Fees	63,396
Community Grant Program	20,000
Outside Contract (REDA)	21,163
Quassar Biogas Feasibility Study	25,000
Vory's Advisor's LLC Consulting	22,000
Equipment Rental and Maintenance	4
Rent, Parking, and Utilities	5,389
Books, Subscriptions, and References	319
Supplies	6,879
Promotion	25,253
Carbon Fee	15,238
Insurance	1,963
Director	60,797
Associate	16,042
FICA	1,206
Workers Comp	182
OPERS	11,641
Employee Benefits	7,165
Training Fees and Tuition	3,000
	327,487
<i>Total Cash Disbursements</i>	<i>327,487</i>
<i>Net Change in Fund Cash Balances</i>	<i>(201,883)</i>
<i>Fund Cash Balance, January 1</i>	<i>408,720</i>
<b>Fund Cash Balance, December 31:</b>	
Unassigned	206,837
<i>Fund Cash Balance, December 31</i>	<i>\$206,837</i>

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

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**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The Southeast Ohio Public Energy Council, Athens County, Ohio (SOPEC), is a regional council of governments consisting of twelve member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from three Southeast Ohio counties. SOPEC is governed by a General Assembly, made up of at least three Directors, which shall be the three members in the Council representing the largest populations as measured in the most recent decennial U.S. Census. The Board of Directors shall also include one additional Director representing each county with members in the Council, elected by the Assembly Representatives for each respective county. SOPEC, established under Ohio Revised Code Chapter 167 in 2014, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

***Jointly Governed Organizations and Related Organizations***

SOPEC participates in the Northeast Ohio Public Energy Council, a jointly governed organization, and is associated with UpGrade Ohio, a related organization. Notes 9 and 10 to the financial statement provides additional information for these entities. SOPEC's management believes this financial statement presents all activities for which the SOPEC is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

SOPEC's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

***Fund Accounting***

SOPEC 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. The fund of SOPEC is presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to SOPEC for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Basis of Accounting***

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

SOPEC's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31.

**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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Although the annual budget is reviewed and approved by the Board of Directors, it is not a legally adopted budget and it is not subject to the budget procedures that are followed by the County Budget Commission.

***Deposits and Investments***

SOPEC's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

SOPEC records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which SOPEC must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** SOPEC classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The Board of Directors can *commit* amounts via formal action (resolution). SOPEC must adhere to these commitments unless the Board of Directors amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In the General Fund, *assigned* amounts represent intended uses established by Board of Directors or a SOPEC official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications.

SOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 3 – Deposits**

SOPEC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2018
Demand Deposits	<u>\$206,837</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 4 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. SOPEC pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Commercial Insurance***

SOPEC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

SOPEC is uninsured for the following risks:

- Errors and omissions.

**Note 5 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

SOPEC employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and SOPEC contributed an amount equaling 14%, of participants' gross salaries. SOPEC has paid all contributions required through December 31, 2018.

**Note 6 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 7 – Leases**

SOPEC leases buildings, vehicles and other equipment under non-cancelable leases. SOPEC disbursed \$5,389 to pay lease costs for the year ended December 31, 2018.

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to SOPEC are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

In March of 2015, SOPEC received a \$429,000 advance payment from AEP Energy for future administrative fees SOPEC would receive for administering the opt-out electric aggregation program. The advance payment was issued without interest, without a repayment schedule, and contingent upon the continued operations of the SOPEC opt-out electric aggregation program. To recover the advance, AEP Energy retained the monthly administrative fee payments. These funds were fully paid back by December of 2018.

**Note 9 – Jointly Governed Organizations**

As a political subdivision, SOPEC is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments comprised of two hundred-member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from nine Northeast Ohio counties, as well as regional councils of governments from other regions in the state.

NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each community elect members to serve on the fifteen-member NOPEC Board of Directors. The NOPEC, established under Ohio Revised Code § 167 in 2000, was formed to serve as a public service organization for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

**Note 10 – Related Organizations**

In November 2015, UpGrade Ohio formally incorporated. It focused primarily on community-based energy efficiency and renewable energy initiatives. UpGrade Ohio began as a special project of the Southeast Ohio Public Energy Council under the name UpGrade Athens County. UpGrade Ohio is an educational and charitable organization whose mission is to educate, promote, and facilitate connections around local resources for reduced energy use and greater access to renewable energy sources, thereby assisting communities to transition to sustainable energy solutions, improve the quality of life, and lessen burdens of both local governments and individual citizens for economic development and sustainability. UpGrade Ohio fulfills this purpose through educational events, community outreach, private and public partnerships, public discussion groups, program development, activities, and publications. UpGrade Ohio has taken over the activities of UpGrade Athens County from SOPEC.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL  
ATHENS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Charges for Services	\$447,736
Empower Settlement	17,500
Miscellaneous	308
	465,544
 <i>Total Cash Receipts</i>	
 <b>Cash Disbursements:</b>	
Bank Service Charge	9
Business Expense	296
Business Registration Fees	100
Accounting Fees	1,843
Audit Expense	5,043
Legal Fees	34,028
Empower Dev. Services	47
UAC Dev. Services	36,757
Posting and Mailing Service	144
Payroll Expense	1,294
Equipment Rental and Maintenance	1,557
Rent, Parking, and Utilities	2,255
Books, Subscriptions, and References	43
Supplies	1,954
Telephone	2,636
Promotion	26,488
Insurance	478
Director	53,270
Medicare Expense	771
Interest	4
Penalty	20
Conference Convention Meeting	1,294
Workers Comp	209
OPERS	7,241
Travel	1,700
Marketing	6,665
	186,146
 <i>Total Cash Disbursements</i>	
 <i>Net Change in Fund Cash Balances</i>	
	279,398
 <i>Fund Cash Balance, January 1</i>	
	129,322
 <b>Fund Cash Balance, December 31:</b>	
Unassigned	408,720
	\$408,720
 <i>Fund Cash Balance, December 31</i>	

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

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**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Southeast Ohio Public Energy Council, Athens County, Ohio (SOPEC), is a regional council of governments consisting of nine member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from three Southeast Ohio counties. SOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each community elect members to serve on the three-member SOPEC Board of Directors. SOPEC, established under Ohio Revised Code Chapter 167 in 2014, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

***Jointly Governed Organizations and Related Organizations***

SOPEC participates in the Northeast Ohio Public Energy Council, a jointly governed organization, and is associated with UpGrade Ohio, a related organization. Notes 9 and 10 to the financial statement provides additional information for these entities. SOPEC's management believes this financial statement presents all activities for which the SOPEC is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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***Basis of Accounting***

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The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

SOPEC's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31.

Although the annual budget is reviewed and approved by the Board of Directors, it is not a legally adopted budget and it is not subject to the budget procedures that are followed by the County Budget Commission.

**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Deposits and Investments**

SOPEC's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

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**Fund Balance**

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**Nonspendable** SOPEC classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** The Board of Directors can *commit* amounts via formal action (resolution). SOPEC must adhere to these commitments unless the Board of Directors amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In the General Fund, *assigned* amounts represent intended uses established by Board of Directors or a SOPEC official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications.

SOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Deposits**

SOPEC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand Deposits	<u>2017</u> <u>\$408,720</u>
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**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 4 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. SOPEC pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Commercial Insurance***

SOPEC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

SOPEC is uninsured for the following risks:

- Errors and omissions.

**Note 5 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

SOPEC employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and SOPEC contributed an amount equaling 14%, of participants' gross salaries. SOPEC has paid all contributions required through December 31, 2017.

**Note 6 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 7 – Leases**

SOPEC leases buildings, vehicles and other equipment under non-cancelable leases. SOPEC disbursed \$2,255 to pay lease costs for the year ended December 31, 2017.

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to SOPEC are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Southeast Ohio Public Energy Council**  
*Athens County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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In March of 2015, SOPEC received a \$429,000 advance payment from AEP Energy for future administrative fees SOPEC would receive for administering the opt-out electric aggregation program. The advance payment was issued without interest, without a repayment schedule, and contingent upon the continued operations of the SOPEC opt-out electric aggregation program. To recover the advance, AEP Energy retained the monthly administrative fee payments. The balance at the end of 2017 was \$222,408.

**Note 9 – Jointly Governed Organization**

As a political subdivision, SOPEC is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments comprised of two hundred-member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from nine Northeast Ohio counties, as well as regional councils of governments from other regions in the state.

NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each community elect members to serve on the fifteen-member NOPEC Board of Directors. The NOPEC, established under Ohio Revised Code § 167 in 2000, was formed to serve as a public service organization for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

**Note 10 – Related Organization**

In November 2015, UpGrade Ohio formally incorporated. It focused primarily on community-based energy efficiency and renewable energy initiatives. UpGrade Ohio began as a special project of the Southeast Ohio Public Energy Council under the name UpGrade Athens County. UpGrade Ohio is an educational and charitable organization whose mission is to educate, promote, and facilitate connections around local resources for reduced energy use and greater access to renewable energy sources, thereby assisting communities to transition to sustainable energy solutions, improve the quality of life, and lessen burdens of both local governments and individual citizens for economic development and sustainability. UpGrade Ohio fulfills this purpose through educational events, community outreach, private and public partnerships, public discussion groups, program development, activities, and publications. UpGrade Ohio has taken over the activities of UpGrade Athens County from SOPEC.

# OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road  
The Plains, Ohio 45780-1231  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

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

Southeast Ohio Public Energy Council  
Athens County  
PO Box 825  
Athens, Ohio 45701

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Southeast Ohio Public Energy Council, Athens County, Ohio (SOPEC), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 26, 2019 wherein we noted SOPEC followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether SOPEC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***SOPEC's Response to Findings***

SOPEC's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject SOPEC's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

November 26, 2019

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness- Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

SOPEC improperly posted a grant receipt of \$21,132 to Charges for Services resulting in an increase in Intergovernmental receipts and a decrease in Charges for Services of \$21,132. This was caused by confusion over proper classification by management. The financial statement was adjusted for the above noted item.

The Executive Director and Board of Directors should review journal entries, financial statements, and notes to the financial statements for reasonableness and accuracy prior to filing the annual financial report.

**Official Response:** We acknowledge the finding and will use professional guidance for future filings.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Noncompliance and Material Weakness relating to missing documentation for minutes of two meetings held and for 18 percent of all disbursements in 2015 and 16 percent of total disbursements in 2016.	Fully Corrected	N/A
2016-002	Noncompliance and Material Weakness as check numbers identified in the check register did not agree to the actual check issued.	Fully Corrected	N/A
2016-003	Material Weakness relating to inadequate segregation of duties.	Fully Corrected	N/A

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# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL**

**ATHENS 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  
DECEMBER 12, 2019**