NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2018

OHIO AUDITOR OF STATE
KEITH FABER

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
DECEMBER 31, 2018 AND 2017

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CUYAHOGA COUNTY
DECEMBER 31, 2018 AND 2017

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OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Public Energy Council
Cuyahoga County
31360 Solon Road, Suite 33
Solon, Ohio 44139

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio (the Council), as of and for the years ended December 31, 2018, 2017, and 2016 and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, as of December 31, 2018, 2017, and 2016, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2018, the Council adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management’s discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

July 10, 2020

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NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
Unaudited

The management's discussion and analysis of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC's) financial performance provides an overall review of NOPEC's financial activities for the years ended December 31, 2018 and 2017. The intent of this discussion and analysis is to look at NOPEC's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of NOPEC's financial performance.

Highlights
Key highlights for 2018 and 2017 are as follows:

- NOPEC is the largest public energy aggregation in the United States with over 225 member communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.
- NOPEC pension and OPEB liabilities increased to $1,881,105 and $2,159,756 for 2018 and 2017 due to the implementation of GASB 68 in 2015 and GASB 75 (Other Post-Employment Benefits - OPEB) in 2018.
- NOPEC OPEB liability from the required 2018 adoption of GASB 75 reduced the beginning 2018 Net Position by $667,581.
- Net position also decreased an additional ($4,826,894) or 10.5% for 2018 and increased $5,467,485 or 13.5% for 2017. The additional decrease in 2018 is due mainly to a $9.2 million Customer Giveback and additional CRES support, while the 2017 increase is due mainly to continuing operations.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 96% and 95% of total revenues in 2018 and 2017, respectively.

Using the Basic Financial Statements
This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement (GASB) No. 34, as adopted January 1, 2005.

Report Components
The combined statements of net position and statements of activities provide information about the activities of NOPEC as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information for NOPEC's only fund, the General Fund.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting
The basis of accounting is a set of guidelines that determine when financial events are recorded. NOPEC has elected to present its financial statements on the accrual method of accounting. Prior to 2005, NOPEC used the cash basis of accounting. The change was made to upgrade the financial accounting and reporting by NOPEC to generally accepted accounting principles, effective January 1, 2005.

Reporting NOPEC as a Whole
The combined statements of net position and statements of activities reflect how NOPEC performed financially during 2018 and 2017.

The combined statements report NOPEC's net position. These reports are one way to measure NOPEC's financial health. Over time, increases or decreases in net position is one indicator of whether NOPEC's financial health is improving or deteriorating. When evaluating financial condition, you should also consider other nonfinancial factors as well, such as the number of member communities.

In the combined statements of activities, all activity of NOPEC is reported:

Governmental activities - NOPEC is a council of governments that obtains utility services at bulk rates for individual utility customers in member communities. The respective energy suppliers pay to NOPEC management fees based on a number of factors, including the number of customers that it obtains through NOPEC's member communities. NOPEC pays its costs of operating the organization with the management fees received from the energy suppliers.

Reporting NOPEC's Most Significant Fund

Fund financial statements provide detailed information about major funds – not NOPEC as a whole. NOPEC has only governmental funds.

Governmental Funds – All of NOPEC's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of NOPEC's operations. This information helps determine whether there are more or less financial resources that can be spent to finance NOPEC's activities. NOPEC's only major governmental fund is the General Fund.

NOPEC as a Whole

Table 1 provides a summary of NOPEC's net position for 2018 and 2017 compared to 2016:

Table 1

	As of December 31		
	2018	2017	2016
Assets			
Cash and Cash Equivalents	$33,651,844	$41,441,134	$41,686,361
Accounts and Note Receivable	11,327,819	5,974,985	1,380,165
Prepaid Expenses	24,433	19,045	61,975
Net Investment in Capital Assets	995,820	773,563	803,896
Total Assets	45,999,916	48,208,727	43,932,397
Deferred Outflow of Resources			
Pension	392,937	694,267	388,699
OPEB	102,206	13,183	0
Total Deferred Outflows of Resources	495,143	707,450	388,699
Liabilities			
Accounts Payable	3,060,211	243,678	194,900
Deferred Revenue	0	438,860	1,875,000
Net Pension Liability	1,097,066	1,478,992	968,749
Net OPEB Liability	784,039	680,764	0
Total Liabilities	4,941,316	2,842,294	3,038,649
Deferred Inflow of Resources			
Pension	257,148	8,801	17,268
OPEB	58,406	0	
Total Deferred Inflows of Resources	315,554	8,801	17,268
Net Position			
Net investment in Capital Assets	995,820	773,563	803,896
Unrestricted	40,242,369	45,291,520	40,461,283
Total Net Position	$41,238,189	$46,065,083	$41,265,179

GASB 68 and 75

The net pension liability (NPL) is the largest single liability reported by NOPEC at December 31, 2018 and December 31, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, NOPEC adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of NOPECs actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. 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 require the net pension liability and the net OPEB liability to equal NOPEC'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, NOPEC 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 system. 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 retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, NOPEC is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017 by $667,581.

There is no related debt to the Capital Assets. Capital Assets were $995,820 and $773,563 at December 31, 2018 and 2017, respectively. The Capital Assets are used to provide services to residential and small commercial consumers in member communities.

As mentioned previously, net position of governmental activities decreased ($4,826,894) or 10.5% for 2018 and increased $5,467,485 or 13.5% for 2017 and an additional $5,422,349 or 15% for 2016. The decrease in net assets in 2018, and increases in 2017 and 2016 were the result of changes in overall net assets.

Table 2 reflects the changes in net position in 2018, 2017 and 2016.

Table 2

	For the Years Ended December 31		
	2018	2017	2016
Revenues			
Program Revenues:			
Charges for Services	$16,893,516	$10,188,068	$13,693,689
Total Program Revenues	$16,893,516	$10,188,068	$13,693,689
General Revenues:			
Interest and Other	719,132	538,030	347,078
Total General Revenues	719,132	538,030	347,078
Total Revenues	17,612,648	10,726,098	14,040,767
Program Expenses:			
General Government	22,439,542	5,258,613	8,618,418
Total Program Expenses	22,439,542	5,258,613	8,618,418
(Decrease) Increase in Net Position	(4,826,894)	5,467,485	5,422,349
Net Position, January 1, Restated	46,065,083	40,597,598	35,842,830
Net Position, December 31	$41,238,189	$46,065,083	$41,265,179

Management fees historically represent a significant portion of NOPEC's total receipts including charges for services in 2018, 2017 and 2016, respectively, because of supplier agreements and acquisition costs related to entering new gas and electric contracts. Other receipts consist of interest earned, reimbursed expenses and office rental income.

Program expenses represent the program-related and administrative costs of NOPEC's activities and operations. These include a variety of programs as well as marketing to residential and small commercial customers and communications with member communities and potential member communities, legal fees, aggregation services and other supporting services.

Governmental Activities
NOPEC is a jointly governed organization comprised of 225 member communities.

NOPEC's Funds
Total governmental funds had revenues of $17,612,648 and expenditures of $22,421,390 for the year ended December 31, 2018; and revenues of $10,726,098 and expenditures of $5,032,073 for the year ended December 31, 2017. The fund balance of the General Fund decreased $(4,808,742) in 2018 and increased $5,694,025 in 2017 indicating that the General Fund is in a surplus condition.

General Fund Budgeting Highlights
NOPEC is not bound by the budgetary laws prescribed by the Ohio Revised Code. However, NOPEC did maintain formal budgets for 2018 and 2017.

Net Investment in Capital Assets
At the end of fiscal year 2018, NOPEC had $995,820 (net of accumulated depreciation) invested in four office condominium buildings and equipment. The following table shows fiscal year 2018 balances compared to 2017.

Capital Assets at December 31
(net of depreciation)

	Governmental Activities		
	2018	2017	2016
Building	$897,879	$700,938	$717,385
Equipment	97,941	72,625	86,511
	$995,820	$773,563	$803,896

Current Issues
The main challenge for NOPEC is to obtain utility services for its member communities at the lowest possible bulk rates.

Contacting NOPEC's Financial Management
This financial report is designed to provide our member communities, citizens, investors, and creditors with a general overview of NOPEC's finances and to reflect NOPEC's accountability for the funds it receives. Questions concerning any of the information in this report or requests for additional information should be directed to NOPEC, 31360 Solon Rd., Suite 33, Solon, Ohio 44139 Tel. 440-248-1992.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Net Position
December 31, 2018 and 2017

	Government Activities 2018	Government Activities 2017
Assets		
Equity in Pooled Cash and Cash Equivalents	$33,651,844	$41,441,134
Accounts Receivable	10,810,376	5,540,985
Prepaid Expenses	24,433	19,045
Note Receivable - PACE	517,443	434,000
Net Investment in Capital Assets	995,820	773,563
Total Assets	45,999,916	48,208,727
Deferred Outflow of Resources		
Pension	392,937	694,267
OPEB	102,206	13,183
Total Deferred Outflow of Resources	495,143	707,450
Liabilities		
Accounts Payable and Accrued Expenses	3,060,211	243,678
Deferred Revenue	0	438,860
Net Pension Liability	1,097,066	1,478,992
Net OPEB Liability	784,039	680,764
Total Liabilities	4,941,316	2,842,294
Deferred Inflow of Resources		
Pension	257,148	8,801
OPEB	58,406	0
Total Deferred Inflow of Resources	315,554	8,801
Net Position		
Net Investment in Capital Assets	995,820	773,563
Unrestricted	40,242,369	45,291,520
Total Net Position	$41,238,189	$46,065,083

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues: Charges for Services	Net Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities			
General Government	$22,439,542	$16,893,516	($5,546,026)
Total Government Activities	$22,439,542	$16,893,516	(5,546,026)
		General Revenues	
		Interest and other	719,132
		Total General Revenues	719,132
		Change in Net Position	(4,826,894)
		Net Position Beginning of Year, Restated	46,065,083
		Net Position End of Year	$41,238,189

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	$5,258,613	$10,188,068	$4,929,455
Total Government Activities	$5,258,613	$10,188,068	4,929,455
		General Revenues	
		Interest and rental income	538,030
		Total General Revenues	538,030
		Change in Net Position	5,467,485
		Net Position Beginning of Year	41,265,179
		GASB 75 restatement effect	(667,581)
		Net Position End of Year	$46,065,083

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Balance Sheet
General Fund
December 31, 2018 and 2017

	2018	2017
Assets		
Equity in Pooled Cash and Cash Equivalents	$33,651,844	$41,441,134
Accounts Receivable	10,810,376	5,540,985
Prepaid Expenses	24,433	19,045
Note Receivable - PACE	517,443	434,000
Total Assets	$45,004,096	$47,435,164
Liabilities and Fund Balances		
Liabilities		
Accounts Payable and Accrued Expenses	3,060,211	243,678
Deferred Revenue	0	438,860
Total Liabilities	3,060,211	682,538
Fund Balances		
Nonspendable	$541,876	$453,045
Unassigned	41,402,009	46,299,582
	41,943,885	46,752,627
Total Liabilities and Fund Balances	$45,004,096	$47,435,165

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018 and 2017

	2018	2017
Total Governmental Fund Balances	$41,943,885	$46,752,627
Amounts reported for governmental activities in the statement of net assets are different because		
The net pension liability and net OPEB liability are not due and payable in the current period, therefore the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflow of Resources - Pension	392,937	694,267
Deferred Outflow of Resources - OPEB	102,206	13,183
Deferred Inflow of Resources - Pension	(257,148)	(8,801)
Deferred Inflow of Resources - OPEB	(58,406)	0
Net Pension Liability	(1,097,066)	(1,478,992)
Net OPEB Liability	(784,039)	(680,764)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds:	995,820	773,563
Net Position of Governmental Activities	$41,238,189	$46,065,083

See accompanying notes to the basic financial statements

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2018 and 2017

	2018 General Fund	2017 General Fund
Revenues:		
Management Fees	$16,893,516	$10,188,068
Interest and Other	719,132	538,030
Total Revenues	17,612,648	10,726,098
Expenses:		
Current:		
Commercial programs	126,002	122,429
Communication Services	61,280	69,880
Community Sponsorships	234,250	0
Legal Fees	908,869	729,570
Information Tech and Support	52,978	28,337
Accounting/Audit/Investment Fees	48,351	179,647
Consulting/Database and Strategic Planning	113,464	94,306
Support for CRES	7,300,000	800,000
Marketing and Membership	1,806,249	1,222,981
Sales support	151,040	79,581
Office/Postage/Telephone/Insurance/Other	251,890	157,186
Salaries, Wages and Payroll Taxes	1,788,005	1,408,507
Customer Giveback!	9,200,000	0
Capital Outlay	279,838	20,936
Meetings/Travel	99,174	118,713
Total Expenses	22,421,390	5,032,073
Excess of Revenues Over Expenditures	(4,808,742)	5,694,025
Fund Balance, Beginning of Year	46,752,627	41,058,602
Fund Balance, End of Year	$41,943,885	$46,752,627

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Net Change in Fund Balances - Total Governmental Funds	($4,808,742)	$5,694,025
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	149,623	120,137
OPEB	10,480	0
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(317,373)	(316,344)
OPEB	(83,139)	0
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense/ This is the amount by which capital outlays exceeded depreciation expense in the respective period.		
Capital outlays	279,838	20,936
Depreciation	(57,581)	(51,269)
Change in Net Position of Governmental Activities	($4,826,894)	$5,467,485

See accompanying notes to the basic financial statements.

NOTE 1 DESCRIPTION OF THE ENTITY

The Northeast Ohio Public Energy Council, (NOPEC) is a regional council of governments consisting of approximately 225 member communities (including municipal corporations, townships, and counties, all of which are political subdivisions of the State of Ohio) from nine Northeast Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county elect one person to serve on the nine-member NOPEC Board of Directors. NOPEC, established under Ohio Revised Code Chapter 167, in 2000, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas. NOPEC seeks to provide electricity and natural gas at the lowest possible rates while also ensuring stability in prices by pursuing long-term contracts with suppliers.

Reporting Entity: In evaluating how to define the governmental reporting entity, NOPEC complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which NOPEC (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either 1) NOPEC's ability to impose its will over the component unit, or 2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on NOPEC.

On this basis, NOPEC's financial reporting entity has no component units as part of NOPEC's primary government in the determination of NOPEC's reporting entity.

NOPEC's management believes these financial statements present all activities for which NOPEC is financially accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of NOPEC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of NOPEC's accounting policies are described below:

A. Basis of Accounting

NOPEC adopted GASB No. 34 effective January 1, 2005; GASB 54 and 63 effective January 1, 2011 and GASB 68 effective January 1, 2015, GASB 72 and 73 in 2016 and GASB 75 in 2018. As such, these financial statements follow the accrual basis of accounting in accordance with generally accepted accounting principles as applied to governmental units. These statements also include disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Cash and Investments

Beginning in 2013, NOPEC invested in a variety of federal government securities through a separate investment account managed by several investment firms. Investments in these

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

securities are valued at historical cost plus interest posted, which is the amount the investments could be sold for on December 31, 2018 and 2017.

NOPEC also invests in STAR Ohio, which is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Government Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." NOPEC measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

C. Budgetary Process

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

D. Basis of Presentation

NOPEC's basic financial statements consist of government-wide statements, which include statements of net position and statements of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements. The statements of net position and the statements of activities display information about NOPEC as a whole. These statements include all the financial activities of NOPEC.

The statements of net position present the financial condition of the governmental activities of NOPEC at December 31, 2017 and 2017. The statements of activities present a comparison between direct expenses and8program revenues for each program or function of NOPEC's governmental activities. Program revenues include monies provided by the recipient of the services offered by the program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of NOPEC.

Fund Financial Statements. NOPEC 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 NOPEC at this more detailed level. The focus of governmental fund financial statements is on major funds. The major fund is presented in a separate column.

E. Fund Accounting

NOPEC 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is NOPEC's only governmental fund:

General Fund - The general fund accounts for all financial resources.

F. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of NOPEC are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. NOPEC generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Therefore, property tax and special assessment receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until received.

When both restricted and unrestricted resources are available for use, it is NOPEC's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Net Investment in Capital Assets

Capital assets result from expenditures in the governmental fund. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are capitalized at cost using a threshold of $500 and updated for additions and retirements during the year. Capital assets are depreciated using the straight-line method over 50 years for buildings and 5 years for equipment.

Cost for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrading that materially add to the value of an asset and meet the above criteria are capitalized.

I. Accounts payable and accrued liabilities

All payables and accrued liabilities are reported in the government-wide financial statements.

J. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions on enabling legislation adopted by NOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

NOPEC measures for the accrual for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2018, and 2017, NOPEC employees did not have any significant carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

L. Fund Balances

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the NOPEC Board of Directors. Those committed amounts cannot be used for any other purpose unless the NOPEC Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by NOPEC for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

NOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For NOPEC, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For NOPEC, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

NOTE 3 REVENUES AND DEFERRED REVENUES

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.

For 2018 and 2017, NOPEC's administrative fees were based on annual contractually agreed upon amounts, on the number of new customers and on the respective consumption of natural gas by its customers. Accounts receivable consist of billed but unpaid administrative fees.

NOPEC entered into a new natural gas contract in August 2013 and received approximately $4,803,829 in September and October 2013 in advance of the inception of the contract and an additional $3,000,000 in 2015 for specified activities under the contract. A portion of these revenues are deferred at December 31, 2017 based on the inception and term of the contract.

NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK

State statutes classify monies held by the NOPEC into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the NOPEC Treasury, in commercial accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies may be deposited or invested in the following:

1. Bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

4. Bonds and other obligations of the State of Ohio.

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio).

7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the NOPEC's interim monies available for investment; and

NOTE 4 EQUITY IN POOLED CASH INVESTMENTS AND CREDIT RISK - (Continued)

8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the NOPEC's interim monies available for investment.

NOPEC may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio.
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
3. Obligations of NOPEC.

Protection of NOPEC's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of NOPEC and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The carrying amount of NOPEC's deposits total $380,823 and $335,795, as of December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, $398,895 and $352,663 of NOPEC's bank balances, respectively were insured by FDIC and collateralized by a bank's pooled securities account. As such, securities were held by the pledging financial institutions' trust departments in NOPEC's name and all state statutory requirements for the investment of money had been followed. Noncompliance with federal requirements could potentially subject NOPEC to a successful claim by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, NOPEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. NOPEC has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with NOPEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 4 EQUITY IN POOLED CASH INVESTMENTS AND CREDIT RISK - (Continued)

Investments

As of December 31, 2018, and 2017, NOPEC had the following investments and maturities:

		December 31, 2018		December 31, 2017
Investment Type	2018 Balance at Fair Value	Investment Maturity 60 months or less	2017 Balance at Fair Value	Investment Maturity 60 months or less
Managed Investments	$33,271,021	$33,271,021	$40,555,331	$40,555,331
STAR Ohio	0	0	555,007	555,007
	$33,271,021	$33,271,021	$41,110,338	$41,110,338

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, NOPEC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. NOPEC has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

Credit Risk: STAR Ohio carries a rating of AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Balances 1/1/2018	Additions	Disposals	Balances 12/31/2018
Governmental Activities				
Depreciable Assets				
Buildings	$790,772	$214,905	$0	$1,005,677
Equipment	220,511	64,933		285,444
Total Depreciable Assets	1,011,283	279,838	0	1,291,121
Less Accumulated Depreciation				
Buildings	89,835	17,965		107,800
Equipment	147,885	39,616	0	187,501
Total Accumulated Depreciation	237,720	57,581	0	295,301
Total Depreciable Assets, Net	773,563	222,257	0	995,820
Governmental Activities Capital Assets, Net	$773,563	$222,257	$0	$995,820

	Balances 1/1/2017	Additions	Disposals	Balances 12/31/2017
Governmental Activities				
Depreciable Assets				
Buildings	$790,772	$0	$0	$790,772
Equipment	199,575	20,936		220,511
Total Depreciable Assets	990,347	20,936	0	1,011,283
Less Accumulated Depreciation				
Buildings	73,387	16,448		89,835
Equipment	113,064	34,821	0	147,885
Total Accumulated Depreciation	186,451	51,269	0	237,720
Total Depreciable Assets, Net	803,896	(30,333)	0	773,563
Governmental Activities Capital Assets, Net	$803,896	($30,333)	$0	$773,563

Depreciation expense was fully allocated to the General Government function of the organization.

NOTE 6 DEFINED BENEFIT PENSION PLANS

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 and 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 NOPEC's proportionate share of the Traditional 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, unknown future events require adjusting this estimate annually.

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

GASB 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 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

NOPEC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. While NOPEC employees can elect the member-directed plan and the combined plan, substantially all employee members are in OPERS's traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 6 DEFINED BENEFIT PENSION PLANS - (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. 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 https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 Years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by yrs of service for the first 30 yrs and 205% for service in excess of 30 yrs.	Formula: 2.2% of FAS multiplied by yrs of service for the first 30 yrs and 2.5% for service yrs in excess of 30	Formula: 2.2% of FAS multiplied by yrs of service for the first 35 yrs and 2.5% for service yrs in excess of 35

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 percent simple annual COLA. For those retiring after 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 percent.

NOTE 6 DEFINED BENEFIT PENSION PLANS – (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
	2018	2017
Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension **	14.0 %	13.0 %
Post-Employment Health Care Benefits **	0.0	1.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

NOPECs contractually required contributions was $149,623 for fiscal year ending December 31, 2018 and $120,137 for fiscal year ending December 31, 2017.

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

The net pension liability for OPERS was measured as of December 31, 2017 and December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2018	2017
Proportion of the Net Pension Liability Prior Measurement Date	0.006513%	0.005132%
Proportion of the Net Pension Liability Current Measurement Date	0.006993%	0.006513%
Change in Proportionate Share	0.000480%	0.001381%
Proportionate Share of the Net Pension Liability	$1,097,066	$1,478,992
Pension Expense	$317,373	$316,334

At December 31, 2018 and December 31, 2017, NOPEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	2017
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$0	$220,256
Differences between expected and actual experience	1,120	2,005
Changes of assumptions	131,107	234,586
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	111,087	117,283
NOPEC contributions subsequent to the measurement date	149,623	120,137
Total Deferred Outflows of Resources	$392,937	$694,267
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$235,527	$0
Differences between expected and actual experience	21,621	8,801
Total Deferred Inflows of Resources	$257,148	$8,801

$149,623 reported as deferred outflows of resources related to pension resulting from NOPEC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2019	$180,099
2020	6,561
2021	(103,713)
2022	(96,781)
Total	($13,834)

Actuarial Assumptions - OPERS

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, 2017 and December 31, 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017 and is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits 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 NOPEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents NOPEC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what NOPEC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

NOPEC's proportionate share of the net pension liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2018	$1,948,110	$1,097,066	$387,552
2017	$2,259,490	$1,478,992	$828,584

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is not known, it has the potential to impact NOPECs net pension liability.

Note 7 - Defined Benefit OPEB Plans

Net OPEB Liability

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

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

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

GASB 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 healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit 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' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

NOPEC's contractually required contribution was $10,480 for 2018 and $13,183 for 2017 respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NOPEC's proportion of the net OPEB liability was based on NOPEC's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2018	2017
Proportion of the Net OPEB Liability Prior Measurement Date	0.006740%	N/A
Proportion of the Net OPEB Liability Current Measurement Date	0.007220%	0.006740%
Change in Proportionate Share	0.000480%	N/A
Proportionate Share of the Net OPEB Liability	$784,039	$680,764
OPEB Expense	$83,139	$40,353

At December 31, 2018, NOPEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	2017
Deferred Outflows of Resources		
Differences between expected and actual experience	$611	$0
Changes of assumptions	57,086	0
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	34,029	0
NOPEC contributions subsequent to the measurement date	10,480	13,183
Total Deferred Outflows of Resources	$102,206	$13,183
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$58,406	0
Total Deferred Inflows of Resources	$58,406	$0

$10,480 reported as deferred outflows of resources related to OPEB resulting from NOPEC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2019	$29,254
2020	29,254
2021	(10,585)
2022	(14,603)
Total	$33,320

Actuarial Assumptions - OPERS

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of NOPEC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents NOPEC's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what NOPEC's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
NOPEC's proportionate share of the net OPEB liability	$1,041,629	$784,039	$575,651

Sensitivity of NOPEC's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent 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 2018 is 7.50 percent. 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 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NOPEC's proportionate share of the net OPEB liability	$750,158	$784,039	$819,037

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 6.50 percent to 6.00 percent. Although the exact amount of these changes is not known, is has the potential to impact the NOPEC's net OPEB liability.

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2018 and 2017, NOPEC contracted with the Hylant Group for various types of liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

NOTE 9 RELATED PARTY TRANSACTIONS

In 2007, NOPEC authorized creation of NOPEC, Inc., a not-for-profit corporation to be the PUCO-certified retail electric and gas supplier (CRES) for NOPEC's electric and gas aggregation programs. NOPEC funded Grants to NOPEC, Inc. in 2018 and 2017 totaling $7,300,000 and $800,000, respectively and had accounts payable to NOPEC, Inc. of $2,900,000 at December 31, 2018.

NOTE 10 PREPAID EXPENSES

Prepaid expenses consist primarily of various payments made for subscriptions that related partially or fully to the following year.

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, NOPEC implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in NOPEC's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net Position December 31, 2017	$	46,732,664
Adjustments:		
Net OPEB liability		(680,764)
Deferred Outflow - Payments Subsequent to Measurement Date		13,183
Restated Net Position December 31, 2017	$	46,065,083

Other than employer contributions subsequent to the measurement date, NOPEC made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Required Supplementary Information
Schedule of NOPEC's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Five Years (1)

Traditional Plan	2018	2017	2016	2015	2014
NOPEC's Proportion of the Net Pension Liability	0.006993%	0.006513%	0.005132%	0.004443%	0.004443%
NOPEC's Proportionate Share of the Net Pension Liability	$1,097,066	$1,478,992	$888,927	$535,875	$523,772
NOPEC's Covered Payroll	$924,131	$841,925	$638,675	$544,700	$484,354
NOPEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.67%	139.18%	98.38%	108.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the NOPEC's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

Required Supplementary Information
Schedule of NOPEC's Contributions - Pension
Ohio Public Employees Retirement System
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$149,623	$120,137	$101,031	$76,641	$65,364	$62,966
Contributions in Relation to the Contractually Required Contribution	($149,623)	($120,137)	($101,031)	($76,641)	($65,364)	($62,966)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0
NOPEC's Covered Payroll	$1,068,736	$924,131	$841,925	$638,675	$544,700	$484,354
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

for 2014-2018, used Traditional Plan pension contributions per OPERS GASB 68 reports for employer code 693250
for 2013, used contributions per the 2013-2014 NOPEC audit report

Required Supplementary Information
Schedule of NOPEC's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Two Years (1)

	2018	2017
NOPEC's Proportion of the Net OPEB Liability	0.00722%	0.00674%
NOPEC's Proportionate Share of the Net OPEB Liability	$784,039	$680,763
NOPEC's Covered Payroll	$1,022,674	$931,707
NOPEC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of NOPEC's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

Required Supplementary Information
Schedule of NOPEC's Contributions - OPEB
Ohio Public Employees Retirement System
Last Four Years (1)

	2018	2017	2016	2015
Contractually Required Contribution	$10,480	$13,183	$20,430	$12,773
Contributions in Relation to the Contractually Required Contribution	($10,480)	($13,183)	($20,430)	($12,773)
Contribution Deficiency (Excess)	$0	$0	$0	$0
NOPEC Covered Payroll	$1,330,743	$1,022,674	$931,707 #	$727,074
Contributions as a Percentage of Covered Payroll	0.79%	1.29%	2.19%	1.76%

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

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The management's discussion and analysis of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC's) financial performance provides an overall review of NOPEC's financial activities for the years ended December 31, 2017 and 2016. The intent of this discussion and analysis is to look at NOPEC's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of NOPEC's financial performance.

Highlights
Key highlights for 2017 and 2016 are as follows:

- NOPEC is the largest public energy aggregation in the United States working in 220 communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.
- NOPEC pension liabilities increased to $1,478,992 and $968,749 for 2017 and 2016 due to the implementation of GASB 68 in 2015.
- Net position increased $5,467,485 or 13.2% for 2017 and an additional $5,422,349 or 15.1% for 2016. The increase in 2017 is due mainly to continuing operations and the increase in 2016 is due mainly to a new electric supplier contract and continuing operations.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 95% and 98% of total revenues in 2017 and 2016, respectively.

Using the Basic Financial Statements
This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement (GASB) No. 34, as adopted January 1, 2005.

Report Components
The combined statements of net position and statements of activities provide information about the activities of NOPEC as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information for NOPEC's only fund, the General Fund.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting
The basis of accounting is a set of guidelines that determine when financial events are recorded. NOPEC has elected to present its financial statements on the accrual method of accounting. Prior to 2005, NOPEC used the cash basis of accounting. The change was made to upgrade the financial accounting and reporting by NOPEC to generally accepted accounting principles, effective January 1, 2005.

Reporting NOPEC as a Whole
The combined statements of net position and statements of activities reflect how NOPEC performed financially during 2017 and 2016.

The combined statements report NOPEC's net position. These reports are one way to measure NOPEC's financial health. Over time, increases or decreases in net position is one indicator of whether NOPEC's financial health is improving or deteriorating. When evaluating financial condition, you should also consider other nonfinancial factors as well, such as the number of member communities.

In the combined statements of activities, all activity of NOPEC is reported:

> Governmental activities - NOPEC is a council of governments that obtains utility services at bulk rates for individual utility customers in the communities it represents. The respective energy suppliers pay to NOPEC management fees based on a number of factors, including the number of customers that it obtains through NOPEC's member communities. NOPEC pays its costs of operating the organization with the management fees received from the energy suppliers.

Reporting NOPEC's Most Significant Fund
Fund financial statements provide detailed information about major funds – not NOPEC as a whole. NOPEC has only governmental funds.

Governmental Funds – All of NOPEC's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of NOPEC's operations. This information helps determine whether there are more or less financial resources that can be spent to finance NOPEC's activities. NOPEC's only major governmental fund is the General Fund.

NOPEC as a Whole

Table 1 provides a summary of NOPEC's net position for 2017 and 2016 compared to 2015:

Table 1

Net Position

	As of December 31		
	2017	2016	2015
Assets			
Cash and Cash Equivalents	$41,441,134	$41,686,361	$36,215,371
Accounts Receivable	5,540,985	1,055,165	1,566,200
Prepaid Expenses	19,045	61,975	1,343,519
Note Receivable - PACE	434,000	325,000	0
Net Investment in Capital Assets	773,563	803,896	807,016
Total Assets	48,208,727	43,932,397	39,932,106
Deferred Outflow of Resources			
Pension	694,268	388,699	115,129
Liabilities			
Accounts Payable	243,678	194,900	123,108
Deferred Revenue	438,860	1,875,000	3,478,835
Net Pension Liability	1,478,992	968,749	592,060
Total Liabilities	2,161,530	3,038,649	4,194,003
Deferred Inflow of Resources			
Pension	8,801	17,268	10,401
Net Position			
Net investment in Capital Assets	773,563	803,896	807,016
Unrestricted	45,959,101	40,461,283	35,035,814
Total Net Assets	$46,732,664	$41,265,179	$35,842,830

During 2015, NOPEC adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of NOPEC's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

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

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

1. Present value of estimated future pension benefits attributable to active and inactive employee's past service
2. Minus plan assets available to pay those benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of the is pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, NOPEC is not responsible for certain key aspects affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps require action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchanges with notice as to the law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net positon.

In accordance with GASB 68, NOPEC's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plans changes in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, NOPEC is reporting a net pension liability and deferred inflows/outflows or resources related to pension on the accrual basis of accounting.

There is no related debt to the Capital Assets. Capital Assets were $773,563 and $803,896 at December 31, 2017 and 2016, respectively. The Capital Assets are used to provide services to citizens in member communities.

As mentioned previously, net position of governmental activities increased $5,467,485 or 13% for 2017 and an additional $5,422,349 or 15% for 2016 and an additional $4,605,856 or 14% for 2015. The increase in assets in 2017, 2016 and 2015 was the result of changes in overall net assets.

Table 2 reflects the changes in net position in 2017, 2016 and 2015.

Table 2

	For the Years Ended December 31		
	2017	2016	2015
Revenues			
Program Revenues:			
Charges for Services	$10,188,068	$13,693,689	$11,231,050
Total Program Revenues	$10,188,068	$13,693,689	$11,231,050
General Revenues:			
Interest and Other	538,030	347,078	314,732
Total General Revenues	538,030	347,078	314,732
Total Revenues	10,726,098	14,040,767	11,545,782
Program Expenses:			
General Government	5,258,613	8,618,418	6,939,926
Total Program Expenses	5,258,613	8,618,418	6,939,926
Increase in Net Position	5,467,485	5,422,349	4,605,856
Effect of GASB 68 at 1/1/15			(578,687)
Net Position, January 1	41,265,179	35,842,830	31,815,661
Net Position, December 31	$46,732,664	$41,265,179	$35,842,830

Management fees historically represent a significant portion of NOPEC's total receipts including fees under a NOPECconnect program that operated in 2016 and 2015. In addition, NOPEC received additional charges for services in 2017, 2016 and 2015, respectively, as a result of acquisition costs related to entering new gas and electric contracts. Other receipts consist of interest earned, reimbursed expenses and office rental income.

Program expenses represent the overhead costs of running NOPEC's activities. These include marketing and communication services to member communities and potential member communities, legal fees, aggregation services and other supporting services. In 2017 and 2016, NOPEC also paid FirstEnergy $0 and $3,418,519 to extend the electric contract discount through the end of 2017 and 2016 respectively, which was the largest single expense category for NOPEC during 2016.

Governmental Activities
NOPEC is a jointly governed organization working in 220 communities currently.

NOPEC's Funds

Total governmental funds had revenues of $10,726,098 and expenditures of $5,032,073 for the year ended December 31, 2017; and revenues of $14,040,767 and expenditures of $8,505,311 for the year ended December 31, 2016. The fund balance of the General Fund increased $5,694,025 in 2017 and $5,535,456 in 2016 indicating that the General Fund is in a surplus condition.

General Fund Budgeting Highlights
NOPEC is not bound by the budgetary laws prescribed by the Ohio Revised Code. However, NOPEC did maintain formal budgets for 2017 and 2016.

Net Investment in Capital Assets
At the end of fiscal year 2017, NOPEC had $773,563 (net of accumulated depreciation) invested in three office condominium buildings and equipment. The following table shows fiscal year 2017 balances compared to 2016.

Capital Assets at December 31
(net of depreciation)

	Governmental Activities		
	2017	2016	2015
Building	$700,938	$717,385	$733,201
Equipment	72,625	86,511	73,815
	$773,563	$803,896	$807,016

Current Issues
The main challenge for NOPEC is to obtain utility services for its member communities at the lowest possible bulk rates.

Contacting NOPEC's Financial Management
This financial report is designed to provide our member communities, citizens, investors, and creditors with a general overview of NOPEC's finances and to reflect NOPEC's accountability for the funds it receives. Questions concerning any of the information in this report or requests for additional information should be directed to NOPEC, 31360 Solon Rd., Suite 33, Solon, Ohio 44139 Tel. 440-248-1992.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Net Position
December 31, 2017 and 2016

	Government Activities 2017	Government Activities 2016
Assets		
Equity in Pooled Cash and Cash Equivalents	$41,441,134	$41,686,361
Accounts Receivable	5,540,985	1,055,165
Prepaid Expenses	19,045	61,975
Note Receivable - PACE	434,000	325,000
Net Investment in Capital Assets	773,563	803,896
Total Assets	48,208,727	43,932,397
Deferred Outflow of Resources		
Pension	694,268	388,699
Total Deferred Outflow of Resources	694,268	388,699
Liabilities		
Accounts Payable and Accrued Expenses	243,678	194,900
Deferred Revenue	438,860	1,875,000
Net Pension Liability	1,478,992	968,749
Total Liabilities	2,161,530	3,038,649
Deferred Inflow of Resources		
Pension	8,801	17,268
Total Deferred Inflow of Resources	8,801	17,268
Net Position		
Net Investment in Capital Assets	773,563	803,896
Unrestricted	45,959,101	40,461,283
Total Net Position	$46,732,664	$41,265,179

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	$5,258,613	$10,188,068	$4,929,455
Total Government Activities	$5,258,613	$10,188,068	4,929,455
		General Revenues	
		Interest and rental income	538,030
		Total General Revenues	538,030
		Change in Net Position	5,467,485
		Net Position Beginning of Year	41,265,179
		Net Position End of Year	$46,732,664

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Activities
For the Year Ended December 31, 2016

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	$8,618,418	$13,693,689	$5,075,271
Total Government Activities	$8,618,418	$13,693,689	5,075,271
		General Revenues	
		Interest and other	347,078
		Total General Revenues	347,078
		Change in Net Position	5,422,349
		Net Position Beginning of Year	35,842,830
		Net Position End of Year	$41,265,179

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Balance Sheet
General Fund
December 31, 2017 and 2016

	2017	2016
Assets		
Equity in Pooled Cash and Cash Equivalents	$41,441,134	$41,686,361
Accounts Receivable	5,540,985	1,055,165
Prepaid Expenses	19,045	61,975
Note Receivable - PACE	434,000	325,000
Total Assets	$47,435,164	$43,128,501
Liabilities and Fund Balances		
Liabilities		
Accounts Payable and Accrued Expenses	243,678	194,900
Deferred Revenue	438,860	1,875,000
Total Liabilities	682,538	2,069,900
Fund Balances		
Nonspendable	$453,045	$386,975
Unassigned	46,299,581	40,671,626
	46,752,626	41,058,601
Total Liabilities and Fund Balances	$47,435,164	$43,128,501

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017 and 2016

	2017	2016
Total Governmental Fund Balances	$46,752,626	$41,058,601
Amounts reported for governmental activities in the statement of net assets are different because		
Deferred Outflow of Resources	694,268	388,699
Deferred Inflow of Resources	(8,801)	(17,268)
Net Pension Liability GASB 68	(1,478,992)	(968,749)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	773,563	803,896
Net Position of Governmental Activities	$46,732,664	$41,265,179

See accompanying notes to the basic financial statements

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017 General Fund	2016 General Fund
Revenues:		
Management Fees	$10,188,068	$13,693,688
Interest and Other	538,030	347,079
Total Revenues	10,726,098	14,040,767
Expenses:		
Current:		
Commercial programs	122,429	81,645
Communication Services	69,880	80,550
Legal Fees	729,570	1,089,764
Information Tech and Support	28,337	0
Accounting/Audit/Investment Fees	179,647	141,540
Consulting/Database and Strategic Planning	94,306	146,511
Support for CRES	800,000	1,200,000
Marketing and Membership	1,222,981	535,873
Sales support	79,581	273,024
Office/Postage/Telephone/Insurance	157,186	139,609
Salaries, Wages and Payroll Taxes	1,408,507	1,272,601
Electric Program discount	0	3,418,519
Capital Outlay	20,936	46,384
Meetings/Travel	118,713	79,292
Total Expenses	5,032,073	8,505,312
Excess of Revenues Over Expenditures	5,694,025	5,535,455
Fund Balance, Beginning of Year	41,058,601	35,523,146
Fund Balance, End of Year	$46,752,626	$41,058,601

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Years Ended December 31, 2017 and 2016

	2017	2016
Net Change in Fund Balances - Total Governmental Funds	$5,694,025	$5,535,455
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	120,137	101,031
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	(316,344)	(211,018)
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense/ This is the amount by which capital outlays exceeded depreciation expense in the respective period.		
Capital outlays	20,936	46,384
Depreciation	(51,269)	(49,504)
Change in Net Position of Governmental Activities	$5,467,485	$5,422,348

See accompanying notes to the basic financial statements.

NOTE 1 DESCRIPTION OF THE ENTITY

The Northeast Ohio Public Energy Council, (NOPEC) is a regional council of governments consisting of approximately 220 member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from fourteen Northeast Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county elect one person to serve on the fourteen-member NOPEC Board of Directors. The Council, established under Ohio Revised Code Chapter 167, in 2000, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas. NOPEC seeks to provide electricity and natural gas at the lowest possible rates while also ensuring stability in prices by pursuing long-term contracts with suppliers.

Reporting Entity: In evaluating how to define the governmental reporting entity, NOPEC complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which NOPEC (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either 1) NOPEC's ability to impose its will over the component unit, or 2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on NOPEC.

On this basis, NOPEC's financial reporting entity has no component units as part of NOPEC's primary government in the determination of NOPEC's reporting entity.

NOPEC's management believes these financial statements present all activities for which NOPEC is financially accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of NOPEC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of NOPEC's accounting policies are described below:

A. Basis of Accounting

NOPEC adopted GASB No. 34 effective January 1, 2005; GASB 54 and 63 effective January 1, 2011 and GASB 68 effective January 1, 2015 and GASB 72 and 73 in 2016. As such, these financial statements follow the accrual basis of accounting in accordance with generally accepted accounting principles as applied to governmental units. These statements also include disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Cash and Investments

Beginning in 2013, NOPEC invested in a variety of federal government securities through a separate investment account managed by several investment firms. Investments in these

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

securities are valued at historical cost plus interest posted, which is the amount the investments could be sold for on December 31, 2017 and 2016.

NOPEC also invests in STAR Ohio, which is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Government Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." NOPEC measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

C. Budgetary Process

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

D. Basis of Presentation

NOPEC's basic financial statements consist of government-wide statements, which include statements of net position and statements of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements. The statements of net position and the statements of activities display information about NOPEC as a whole. These statements include all the financial activities of NOPEC.

The statements of net position present the financial condition of the governmental activities of NOPEC at December 31, 2017 and 2016. The statements of activities present a comparison between direct expenses and program revenues for each program or function of NOPEC's governmental activities. Program revenues include monies provided by the recipient of the services offered by the program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of NOPEC.

Fund Financial Statements. NOPEC 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 NOPEC at this more detailed level. The focus of governmental fund financial statements is on major funds. The major fund is presented in a separate column.

E. Fund Accounting

NOPEC 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is NOPEC's only governmental fund:

General Fund - The general fund accounts for all financial resources.

F. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of NOPEC are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. NOPEC generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Therefore property tax and special assessment receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is NOPEC’s policy to use restricted resources first, then unrestricted resources as they are needed.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Net Investment in Capital Assets

Capital assets result from expenditures in the governmental fund. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are capitalized at cost using a threshold of $500 and updated for additions and retirements during the year. Capital assets are depreciated using the straight-line method over 50 years for buildings and 5 years for equipment.

Cost for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrading that materially add to the value of an asset and meet the above criteria are capitalized.

I. Accounts payable and accrued liabilities

All payables and accrued liabilities are reported in the government-wide financial statements.

J. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions on enabling legislation adopted by NOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

NOPEC accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2017 and 2016, NOPEC employees did not have any carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

L. Fund Balances

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the NOPEC Board of Directors. Those committed amounts cannot be used for any other purpose unless the NOPEC Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by NOPEC for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

NOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The OPERS pension system reports investments at fair value.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net positon that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. NOPEC has a deferred outflow of resources related to pension. See a following footnote for additional information.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net positon that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. NOPEC has a deferred inflow of resources related to pension. See Note 6 for additional information.

NOTE 3 REVENUES AND DEFERRED REVENUES

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.

For 2017 and 2016, NOPEC's administrative fees were based on annual contractually agreed upon amounts, on the number of new customers and on the respective consumption of natural gas by its customers. Accounts receivable consist of billed but unpaid administrative fees.

NOPEC entered into a new natural gas contract in August, 2013 and received approximately $4,803,829 in September and October 2013 in advance of the inception of the contract and an additional $3,000,000 in 2015 for specified activities under the contract. A portion of these revenues are deferred at December 31, 2017 and 2016 based on the inception and term of the contract.

NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK

State statutes classify monies held by the NOPEC into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the NOPEC Treasury, in commercial accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies may be deposited or invested in the following:

1. Bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);

7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the NOPEC's interim monies available for investment; and

8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the NOPEC's interim monies available for investment.

NOTE 4 EQUITY IN POOLED CASH INVESTMENTS AND CREDIT RISK - (Continued)

NOPEC may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of NOPEC.

Protection of NOPEC's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The carrying amount of NOPEC's deposits total $335,795 and $169,779, as of December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, $352,663 and $230,533 of NOPEC's bank balances, respectively were insured by FDIC and collateralized by a bank's pooled securities account. As such, securities were held by the pledging financial institutions' trust departments in NOPEC's name and all state statutory requirements for the investment of money had been followed. Noncompliance with federal requirements could potentially subject NOPEC to a successful claim by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, NOPEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. NOPEC has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with NOPEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 4 EQUITY IN POOLED CASH INVESTMENTS AND CREDIT RISK - (Continued)

Investments

As of December 31, 2017 and 2016, NOPEC had the following investments and maturities:

		December 31, 2017		December 31, 2016
		Investment		Investment
	2017	Maturity	2016	Maturity
	Balance at	60 months or	Balance at	60 months or
Investment Type	Fair Value	less	Fair Value	less
Managed Investments	$40,550,331	$40,550,331	$34,376,214	$34,376,214
STAR Ohio	555,007	555,007	1,740,367	1,740,367
	$41,105,338	$41,105,338	$36,116,581	$36,116,581

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, NOPEC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. NOPEC has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

Credit Risk: STAR Ohio carries a rating of AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	Balances 1/1/2017	Additions	Disposals	Balances 12/31/2017
Governmental Activities				
Depreciable Assets				
Buildings	$790,772	$0	$0	$790,772
Equipment	199,575	20,936		220,511
Total Depreciable Assets	990,347	20,936	0	1,011,283
Less Accumulated Depreciation				
Buildings	73,387	16,448		89,835
Equipment	113,064	34,821	0	147,885
Total Accumulated Depreciation	186,451	51,269	0	237,720
Total Depreciable Assets, Net	803,896	(30,333)	0	773,563
Governmental Activities Capital Assets, Net	$803,896	($30,333)	$0	$773,563

	Balances 1/1/2016	Additions	Disposals	Balances 12/31/2016
Governmental Activities				
Depreciable Assets				
Buildings	$790,772	$0	$0	$790,772
Equipment	153,191	46,384		199,575
Total Depreciable Assets	943,963	46,384	0	990,347
Less Accumulated Depreciation				
Buildings	57,571	15,816		73,387
Equipment	79,376	33,688	0	113,064
Total Accumulated Depreciation	136,947	49,504	0	186,451
Total Depreciable Assets, Net	807,016	(3,120)	0	803,896
Governmental Activities Capital Assets, Net	$807,016	($3,120)	$0	$803,896

Depreciation expense was fully allocated to the General Government function of the organization.

NOTE 6 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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 and 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 NOPEC's proportionate share of the Traditional 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, unknown future events require adjusting this estimate annually.

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

GASB 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 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.

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

Plan Description

NOPEC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. While NOPEC employees can elect the member-directed plan and the combined plan, substantially all employee members are in OPERS's traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 6 DEFINED BENEFIT PENSION PLAN and POST RETIREMENT BENEFIT PLANS – (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. 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 https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 Years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by yrs of service for the first 30 yrs and 205% for service in excess of 30 yrs.	Formula: 2.2% of FAS multiplied by yrs of service for the first 30 yrs and 2.5% for service yrs in excess of 30	Formula: 2.2% of FAS multiplied by yrs of service for the first 35 yrs and 2.5% for service yrs in excess of 35

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 percent simple annual COLA. For those retiring after 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 percent.

NOTE 6 DEFINED BENEFIT PENSION PLAN and POST RETIREMENT BENEFIT PLANS – (continued)

Funding Policy

The Ohio Revised Code provides statutory authority for members and employer contributions and currently limits the employer contribution rate not to exceed 14% of covered payroll for state and local employer units (13% for funding pension benefits plus 1% for funding postemployment health care benefits). Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll. NOPEC's contractually required contributions were $120,137 and $108,349 for 2017 and 2016, respectively.

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

The net pension liability for OPERS was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of that date. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	12/31/17	12/31/16
Proportionate Share of the NET Pension Liability	$1,478,992	$968,749
Proportion of the Net Pension Liability	0.006513%	0.005132%
Pension Expense	$316,334	$211,018

At December 31, 2017 and 2016, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2017	2016
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$220,257	$0
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	117,283	279,687
Net difference between expected and actual experience	2,005	663
Changes of assumptions	234,586	0
NOPEC contributions subsequent to the measurement date	120,137	108,349
Total Deferred Outflows of Resources	$694,268	$388,699
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 8,801	$ 17,268

$120,137 of deferred outflows of resources related to pension resulting from NOPEC contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ending

NOTE 6 DEFINED BENEFIT PENSION PLAN and POST RETIREMENT BENEFIT PLANS – (continued)

December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		Traditional
Year Ending December 31:		
	2018	$ 241,046
	2019	247,627
	2020	83,113
	2021	(6,456)
Total		$ 565,330

Actuarial Assumptions – OPERS

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 employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actual valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five year period ending December 31, 2010.

NOTE 6 DEFINED BENEFIT PENSION PLAN and POST RETIREMENT BENEFIT PLANS (Continued)

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and the benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long term expected real rates of return:

Asset Class	Target Allocation		Real Rate of Return (Arithmetic)	
Fixed Income	23.00	%	2.31	%
Domestic Equities	20.70		5.84	
Real Estate	10.00		4.25	
Private Equity	10.00		9.25	
International Equities	18.30		7.40	
Other investments	18.00		4.59	
	100.00	%	5.27	%

Discount Rate: The Discount rate used to measure the total pension liability was 8 percent. 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, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits 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.

NOTE 6 DEFINED BENEFIT PENSION PLAN and POST RETIREMENT BENEFIT PLANS (Continued)

Sensitivity of NOPEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents NOPEC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what NOPEC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) one one-percentage-point higher (9 percent) than the current rate:

Traditional Plan	1% decrease $2,259,490	Current $1,478,992	1% increase $828,584

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

NOTE 7 POST RETIREMENT BENEFITS

Plan Description

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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

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

Funding Policy

The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public

NOTE 7 POST RETIREMENT BENEFITS – (Continued)

employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017 and 2016, state and local employers contributed 14% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 1% for 2017 and 2016. The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

NOPEC's contributions to fund postemployment health care benefits for 2017 and 2016 were $20,387 and $21,649, respectively. The full amounts have been contributed for both years.

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2017 and 2016, NOPEC contracted with the Hylant Group for various types of liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

NOTE 9 RELATED PARTY TRANSACTIONS

In 2007, NOPEC authorized creation of NOPEC, Inc., a not-for-profit corporation to be the PUCO-certified retail electric and gas supplier (CRES) for NOPEC's electric and gas aggregation programs. NOPEC funded Grants to NOPEC, Inc. in 2017 and 2016 totaling $800,000 and $1,200,000, respectively.

NOTE 10 PREPAID EXPENSES

Prepaid expenses consist primarily of payments made for the electric program discount for the following year.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Proportionate Share of Net Pension Liability - Traditional Plan
2017 and 2016

	2017	2016
NOPEC's Proportion of the Net Pension Liability	0.006513%	0.005132%
NOPEC's Proportionate share of the Net Pension Liability	$1,478,992	$968,749
NOPEC's Employee payroll	$841,925	$841,925
NOPEC's proportionate share of the Net Pension liability as a Percentage of it Employee payroll	175.67%	115.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC Contributions to OPERS - Traditional Plan
2017 and 2016

	2017	2016
Contractually required contribution	$120,137	$101,031
Contributions in relation to contractually required contributions	(120,137)	108,349
Contribution deficiency (excess)	$0	($7,318)
NOPEC employee payroll	$924,131	$841,925
Contributions as a percentage of employee payroll	13.00%	12.00%

See accompanying notes to the basic financial statements.

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Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Northeast Ohio Public Energy Council
Cuyahoga County
31360 Solon Road, Suite 33
Solon, Ohio 44139

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 governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, (the Council) as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated July 10, 2020, wherein we noted in 2018 the Council adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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*.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

July 10, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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
JULY 28, 2020