



**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2008 & 2007**



**Mary Taylor, CPA**  
Auditor of State



**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Northeast Ohio Public Energy Council  
Cuyahoga County  
31320 Solon Road, Suite 20  
Solon, Ohio 44139

To the Board of Directors:

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio (NOPEC), as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise NOPEC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of NOPEC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, as of December 31, 2008 and December 31, 2007, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of NOPEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

December 11, 2009

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2008 and 2007  
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, 2008 and 2007. 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 2008 and 2007 are as follows:

NOPEC is the largest public energy aggregation in the United States with 126 member communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.

Net assets increased \$1,087,642 or 9.5% for 2008 and an additional \$1,794,809 or 18.6% for 2007. The increases in 2008 and 2007 are due to an increase in capital assets and an overall increase in both revenues and expenditures.

NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 92% and 80% of total revenues in 2008 and 2007, 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 No. 34, as adopted January 1, 2005.

**Report Components**

The combined statements of net assets 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2008 and 2007  
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(Continued)

**Reporting NOPEC as a Whole**

The combined statements of net assets and statements of activities reflect how NOPEC performed financially during 2008 and 2007.

The combined statements report NOPEC's net assets. These reports are one way to measure NOPEC's financial health. Over time, increases or decreases in net assets 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

**NOPEC as a Whole**

Table 1 provides a summary of NOPEC's net assets for 2008 compared to 2007 and 2006:

**(Table 1)  
Net Assets**

	As of December 31,		
	2008	2007	2006
<b>Assets</b>			
Cash and Cash Equivalents	\$11,523,800	\$11,301,605	\$8,985,811
Accounts Receivable	885,326	195,363	755,356
Capital Assets, Net	255,304	14,695	0
Other Assets	0	0	3,801
<b>Total Assets</b>	<b>12,664,430</b>	<b>11,511,663</b>	<b>9,744,968</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Wages	133,276	68,151	96,265
<b>Total Liabilities</b>	<b>133,276</b>	<b>68,151</b>	<b>96,265</b>
<b>Net Assets</b>			
Invested in capital assets, Net of Related Debt	255,304	14,695	0
Unrestricted	12,275,850	11,428,817	9,648,703
<b>Total Net Assets</b>	<b>\$12,531,154</b>	<b>\$11,443,512</b>	<b>\$9,648,703</b>

There is no related debt to the Capital Assets. Capital Assets were \$14,695 and \$255,304 at December 31, 2007 and 2008, respectively. The Capital Assets are used to provide services to citizens in member communities.

As mentioned previously, net assets of governmental activities increased \$1,087,642 or 10% for 2008 and an additional \$1,794,809 or 19% for 2007. This increase in assets in 2007 was the result of an increase in capital asset purchases and changes in net assets. The increase in assets in 2008 was the result of NOPEC completing the purchase and construction of an office condominium, office equipment, and change in overall net assets.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

Table 2 reflects the changes in net assets in 2008, 2007 and 2006.

**(Table 2)  
Changes in Net Assets**

	For the Years Ended December 31		
	2008	2007	2006
Revenues:			
Program Revenues:			
Charges for Services	\$3,586,336	\$2,042,548	\$3,082,876
Total Program Revenues	<u>3,586,336</u>	<u>2,042,548</u>	<u>3,082,876</u>
General Revenues:			
Interest	296,083	508,926	223,700
Arbitration Award	0	0	4,974,123
Total General Revenues	<u>296,083</u>	<u>508,926</u>	<u>5,197,823</u>
Total Revenues	<u>3,882,419</u>	<u>2,551,474</u>	<u>8,280,699</u>
Program Expenses:			
General Government	2,794,777	756,665	1,175,956
Total Program Expenses	<u>2,794,777</u>	<u>756,665</u>	<u>1,175,956</u>
Increase in Net Assets	1,087,642	1,794,809	7,104,743
Net Assets, January 1	11,443,512	9,648,703	2,543,960
Net Assets, December 31	<u>\$12,531,154</u>	<u>\$11,443,512</u>	<u>\$9,648,703</u>

Management fees historically represent a significant portion of NOPEC's total receipts. However, in 2007 interest income became significant to total receipts. As such, for 2007 management fees represented about 80% of NOPEC's total receipts. The reduction in revenue from 2006 to 2007 was the result of a significant event related to an arbitration award in 2006 which resulted in \$4,974,123 in receipts. In addition, NOPEC received additional charges for services in 2006 and 2008, respectively, as a result of acquisition costs when they entered into new gas contracts. Other receipts are insignificant and consist of interest earned.

Program expenses represent the overhead costs of running NOPEC's activities. These include communication services to member communities and potential member communities, legal fees, aggregation services and other supporting services. In 2008, NOPEC also paid FirstEnergy Solutions \$1,821,560 to extend the electric contract through the end of 2008, which was the largest single expense category for NOPEC during 2008. In 2007, NOPEC paid Energy Conservation Grants to member communities in the total amount of \$215,018, which was the largest single expense category for NOPEC during 2007.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)

**Governmental Activities**

NOPEC is a jointly governed organization consisting of 126 member communities.

**NOPEC's Funds**

Total governmental funds had revenues of \$3,882,419 and expenditures of \$3,035,386 for the year ended December 31, 2008; and revenues of \$2,551,474 and expenses of \$771,360 for the year ended December 31, 2007. The fund balance of the General Fund increased \$847,033 in 2008 and \$1,780,114 in 2007 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 2008 and 2007.

**Capital Assets**

At the end of Fiscal 2008, NOPEC had \$255,304 (net of accumulated depreciation) invested in an office condominium building and equipment. Table 3 shows fiscal year 2008 balances compared to 2007. More detailed information is presented in Note 5 of the notes to the basic financial statements.

**(Table 3)  
Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Building	\$233,867	\$10,000
Equipment	21,437	4,695
	<u>\$255,304</u>	<u>\$14,695</u>

**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, 31320 Solon Rd., Suite 20, Solon, Ohio 44139, telephone, 440-248-1992.

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statements of Net Assets  
December 31, 2008 and 2007*

	Government Activities 2008	Government Activities 2007
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,523,800	\$11,301,605
Accounts Receivable	885,326	195,363
Depreciable Capital Assets, net	255,304	14,695
<b>Total Assets</b>	<b>\$12,664,430</b>	<b>\$11,511,663</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$133,276	\$68,151
<b>Total Liabilities</b>	<b>133,276</b>	<b>68,151</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of related debt	255,304	14,695
Unrestricted	12,275,850	11,428,817
<b>Total Net Assets</b>	<b>\$12,531,154</b>	<b>\$11,443,512</b>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statement of Activities  
For the Year Ended December 31, 2008*

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
General Government	\$2,794,777	\$3,586,336	\$791,559
<i>Total Government Activities</i>	\$2,794,777	\$3,586,336	791,559
		<b>General Revenues</b>	
		Interest	296,083
		<i>Total General Revenues</i>	296,083
		Change in Net Assets	1,087,642
		<i>Net Assets, Beginning of Year</i>	11,443,512
		<i>Net Assets, End of Year</i>	\$12,531,154

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statement of Activities  
For the Year Ended December 31, 2007*

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
General Government	\$756,665	\$2,042,548	\$1,285,883
<i>Total Government Activities</i>	\$756,665	\$2,042,548	1,285,883
		<b>General Revenues</b>	
		Interest	508,926
		<i>Total General Revenues</i>	508,926
		Change in Net Assets	1,794,809
		<i>Net Assets, Beginning of Year</i>	9,648,703
		<i>Net Assets, End of Year</i>	\$11,443,512

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Balance Sheets  
General Fund  
December 31, 2008 and 2007*

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	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,523,800	\$11,301,605
Accounts Receivable	885,326	195,363
Total Assets	<u>\$12,409,126</u>	<u>\$11,496,968</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$133,276	\$68,151
Total Liabilities	<u>133,276</u>	<u>68,151</u>
 <b>Fund Balances</b>		
Undesignated Reported in General Fund	12,275,850	11,428,817
Total Liabilities and Fund Balances	<u>\$12,409,126</u>	<u>\$11,496,968</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2008 and 2007*

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	<u>2008</u>	<u>2007</u>
<b>Total Governmental Fund Balances</b>	\$12,275,850	\$11,428,817
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the fund	<u>255,304</u>	<u>14,695</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$12,531,154</u></u>	<u><u>\$11,443,512</u></u>

See accompanying notes to the basic financial statements

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statements of Revenues, Expenditures and  
Changes in Fund Balances  
For the Years Ended December 31, 2008 and 2007*

	2008 <u>General Fund</u>	2007 <u>General Fund</u>
<b>Revenues:</b>		
Management Fees	\$3,586,336	\$2,042,548
Interest	<u>296,083</u>	<u>508,926</u>
 Total Revenues	 <u>3,882,419</u>	 <u>2,551,474</u>
<b>Expenses:</b>		
Current:		
Energy Conservation Grants	0	215,018
Communication Services	24,000	0
Legal Fees	382,619	190,167
Accounting/Audit Services	40,500	50,717
Aggregation Services/Community Training	12,605	50
Consulting and Strategic Planning	37,090	20,235
CRES Development	152,504	75,391
Literature/Media	4,108	4,255
Office/Postage/Telephone/Insurance	62,250	37,425
Salaries, Wages and Payroll Taxes	231,000	143,662
Electric Program discount	1,821,560	0
Capital Outlay	246,178	16,061
Meetings/Travel	<u>20,972</u>	<u>18,379</u>
 Total Expenses	 <u>3,035,386</u>	 <u>771,360</u>
 Excess of Revenues Over Expenditures	 <u>847,033</u>	 <u>1,780,114</u>
 Fund Balance, Beginning of Year	 <u>11,428,817</u>	 <u>9,648,703</u>
 Fund Balance, End of Year	 <u><u>\$12,275,850</u></u>	 <u><u>\$11,428,817</u></u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Reconciliation of the Statements of Revenues, Expenditures and Changes  
In Fund Balances of Governmental Funds to the Statement of Activities  
For the Years Ended December 31, 2008 and 2007*

	2008	2007
<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$847,033	\$1,780,114
<p>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.</p>		
Capital outlays	246,178	16,061
Depreciation	(5,569)	(1,366)
Change in Net Assets of Governmental Activities	\$1,087,642	\$1,794,809

See accompanying notes to the basic financial statements.

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007

**NOTE 1 DESCRIPTION OF THE ENTITY**

The Northeast Ohio Public Energy Council, (NOPEC) is a regional council of governments consisting of approximately 128 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. 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:** The accompanying financial statements as of December 31, 2007 and December 31, 2008 and for the years then ended have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification"). The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements.

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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NOPEC's management believes these financial statements present all activities for which NOPEC is financially accountable. The government-wide statements do not include any fiduciary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. NOPEC also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

A. Basis of Accounting

NOPEC adopted GASB No. 34 effective January 1, 2005. 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

During the year, NOPEC invested in STAROhio (the State Treasurer's investment pool), an investment pool managed by the State Treasurer's Office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2008 and 2007.

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 assets 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 assets 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 assets present the financial condition of the governmental activities of NOPEC at December 31, 2008 and 2007. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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.

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 Assets.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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.

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. Property taxes and special assessments, though measurable, are not available to finance current period obligations. 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. 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 assets 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Costs 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 Assets

Net assets represent the difference between assets and liabilities. Net assets are 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.

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, 2007 and December 31, 2008, 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

In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**NOTE 3 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 2008 and 2007, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
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**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 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 NOPEC's interim monies available for investment.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 4 EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (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 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 were \$319,669 and \$90,790, as of December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, \$250,000 and \$90,790 of NOPEC's bank balances of \$319,669 and \$90,790, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 4 EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)**

**Investments**

As of December 31, 2008 and 2007, NOPEC had the following investment:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
		<u>Investment Maturity</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity</u>	<u>Balance at Fair Value</u>
		<u>6 months or less</u>		<u>6 months or less</u>	
STAR Ohio	\$11,287,804	\$11,287,804	\$11,281,721	\$11,281,721	

*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 Board Chairman 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 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2008 and 2007 was as follows:

	<u>Balances 12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 12/31/2008</u>
<b>Governmental Activities</b>				
<b><i>Depreciable Assets:</i></b>				
Buildings	\$10,000	\$226,229	\$0	\$236,229
Equipment	6,061	19,949	0	26,010
<b>Total Depreciable Assets</b>	<u>16,061</u>	<u>246,178</u>	<u>0</u>	<u>262,239</u>
<b><i>Less Accumulated Depreciation:</i></b>				
Buildings	0	(2,362)	0	(2,362)
Equipment	(1,366)	(3,207)	0	(4,573)
<b>Total Accumulated Depreciation</b>	<u>(1,366)</u>	<u>(5,569)</u>	<u>0</u>	<u>(6,935)</u>
<b>Total Depreciable Assets, Net</b>	<u>14,695</u>	<u>240,609</u>	<u>0</u>	<u>255,304</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$14,695</u>	<u>\$240,609</u>	<u>\$0</u>	<u>\$255,304</u>

Depreciation was charged to the general government function of the organization.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 CAPITAL ASSETS – (Continued)**

The \$10,000 of Building expenses in 2007 was a down payment for the 2008 purchase of the NOPEC Office Condominium. The purchase and renovations of the building was completed in 2008.

**NOTE 6 DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

NOPEC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2008 and 2007, member and employer contribution rates were consistent across all three plans. For the years ended December 31, 2008 and 2007, plan members were required to contribute 10.0 percent and 9.5 percent, respectively, of their annual covered salary to fund pension obligations. For calendar year 2008, the employer pension contribution rate was 14.0 percent of covered payroll. For calendar years 2007 and 2006, the employer pension contribution rates for NOPEC were 13.85 and 13.70 percent, respectively, of covered payroll. Contributions are authorized by State statute and the contribution rates are determined actuarially. NOPEC's required contributions (including post-employment benefits) to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$17,310, \$11,155 and \$3,912, respectively. The full amount has been contributed for 2007 and 2006. 70% has been contributed for 2008.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)

**NOTE 7 POST RETIREMENT BENEFIT PLANS**

**Ohio Public Employees Retirement System**

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEN benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008 and 2007, local government employer units contributed at 14.00% and 13.85% of covered payroll, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

For 2008 and 2007, the employer contribution allocated to the health care plan was 4.5% of covered payroll. NOPEC's actual contributions for 2008 and 2007 which were used to fund post-employment benefits were \$8,199 and \$5,369, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

The OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the healthcare plan.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8 RISK MANAGEMENT AND CONTINGENCIES**

NOPEC is exposed to various risks of loss. For 2008 and 2007, 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.

Two legal claims were filed against NOPEC in 2007, both of which are covered by the existing liability insurance. NOPEC management believes that the ultimate disposition of these claims and the legal proceedings will not have a material effect, if any, on the financial condition of NOPEC and that NOPEC has adequate liability insurance coverage to protect itself against any material loss.

**NOTE 9 RELATED PARTY TRANSACTIONS**

In 2007, NOPEC authorized creation of NOPEC, Inc., a new 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 the CRES Development expenses in 2008 and 2007 totaling \$152,504 and \$75,391.

**NOTE 10 SUBSEQUENT EVENTS**

In June 2009, NOPEC settled a lawsuit with SVA Communications, Inc. (SVA) in which they agreed to pay SVA and two associated individuals for damages revolving around NOPEC's termination of its relationship with SVA as an independent contractor. The amount of the settlement was not material to the financial statements.

**NOTE 11 CHANGE IN ACCOUNTING PRINCIPLES**

The Governmental Accounting Standards Board (GASB) issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This statement established criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also included disclosure requirements for future revenues that are pledged or sold. The requirements of the new statement became effective for fiscal periods beginning after December 15, 2006.

For fiscal year 2008, NOPEC has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting for Post-employment Benefits other than Pensions", Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 supersedes GASB Statement No. 12 and established standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers. This information can be found in Note 14. GASB Statement No. 49 identifies circumstances under which a government would be required to estimate and record a liability of expected outlays for pollution remediation. GASB Statement No. 50 required employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007  
(Continued)**

**NOTE 11 CHANGE IN ACCOUNTING PRINCIPLES – (Continued)**

The implementation of GASB Statements No. 48, No. 45, No. 49 and No. 50 did not have an effect on the financial statements of NOPEC.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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  
31320 Solon Road, Suite 20  
Solon, Ohio 44139

To the Board of Directors:

We have audited the financial statements of the governmental activities and the major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio (NOPEC) as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise NOPEC's basic financial statements and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOPEC's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of NOPEC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of NOPEC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NOPEC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that NOPEC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that NOPEC's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to NOPEC's management in a separate letter dated December 11, 2009.

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

As part of reasonably assuring whether NOPEC'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, providing an opinion 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*.

We did note a certain noncompliance or other matter that we reported to NOPEC's management in a separate letter dated December 11, 2009.

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 11, 2009



**Mary Taylor, CPA**  
Auditor of State

**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**  
**JANUARY 14, 2010**