



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Southeast Ohio Public Energy Council, Athens County, Ohio (Council), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southeast Ohio Public Energy Council, Athens County, Ohio as of December 31, 2022 and 2021, 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2021, the Council restated the Carbon Fee Collection Fund and Governmental Activities Net Position as of December 31, 2020 to include the cash balance attributable to the Carbon Fee Collection Fund. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities/Assets and Pension and Other Post-Employment Benefit Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2025

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**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

The Southeast Ohio Public Energy Council (the Council) Management's Discussion and Analysis is designed to a) assist the reader in focusing on significant financial issues; b) provide an overview of the Council's financial activity; c) identify changes in the Council's financial position (its ability to address the next and subsequent years challenges); and d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Council's financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

The Council prepares their annual financial statements in accordance to accounting principles generally accepted in the United States of America (GAAP).

Net Position – The Council's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$970,421 at the close of the year ended December 31, 2022. Of this amount, the Council had an unrestricted balance of \$830,575 that may be used to meet the Council's ongoing obligations to citizens and creditors.

Changes in Net Position – The Council's total revenues were \$1,205,980 and total expenses were \$802,293 resulting in a positive change in net position of \$403,687 for the year ended December 31, 2022.

Fund Highlights:

Governmental Funds – Fund Balance – As of the close of fiscal year 2022, the Council's governmental funds reported a total fund balance of \$1,114,225, an increase of \$420,676 in comparison with the prior year.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Council's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities. The basic financial statements include two kinds of financial statements that present different views of the Council – the Government- Wide Financial Statements and the Fund Financial Statements. These financial statements also include the notes to the Financial Statements that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements (reporting the Council as a whole)

The statement of net position and the statement of activities are two financial statements that report information about the Council as a whole and about its activities. They are designed to provide readers with a broad overview of the Council's finances in a manner similar to a private-sector business.

The statement of net position is similar to a balance sheet. This statement reports the resources owned by the Council (assets and deferred outflows of resources), obligations owed by the Council (liabilities and deferred inflows of resources), and the Council's net position (the difference between these components).

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(UNAUDITED)**

OVERVIEW OF BASIC FINANCIAL STATEMENTS (CONTINUED)

The focus of the statement of net position (unrestricted net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Council. Net position is reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of restricted assets, upon which constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: Consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted.

The statement of activities presents information showing how the Council's net position changed during the fiscal year 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods or that resulted in cash flows in previous periods and are recorded as assets or liabilities in the statement of net position.

The report includes two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with the governmental activities (accrual accounting) on the appropriate government wide statements.

Fund Financial Statements (Reporting the Council's Major Funds)

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Council uses to keep track of specific sources of funding and spending for a particular purpose. The Council has one category of funds, Governmental Funds. The governmental funds focus on how money flows into and out of the fund and balances left at year end that are available for future spending. The governmental funds financial statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. The governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Council has the following governmental funds:

- The General Fund reflects the ongoing operations of the Council that account for all financial resources, except those required to be accounted for in other funds.
- Carbon Fee Collection Fund reflects the carbon fees collected for the City of Athens by the Council. The Council holds the funds and makes distributions back to the City in accordance with agreed upon terms.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

Net Position

The statement of net position looks at the Council as a whole. The Council is engaged only in business-type activities. Table 1 provides a summary of the Council's net position at December 31, 2022 in comparison to December 31, 2021. Over time, net position can serve as a useful indicator of the Council's financial position.

	2022	2021	Change
Assets			
Current and Other Assets	\$ 1,125,263	\$ 702,959	\$ 422,304
Long-Term Assets	63,751	19,972	43,779
Total Assets	1,189,014	722,931	466,083
Deferred Outflows of Resources			
Pension	117,771	127,544	(9,773)
OPEB	11,891	41,925	(30,034)
Total Outflows of Resources	129,662	169,469	(39,807)
Liabilities			
Current Liabilities	25,284	9,410	15,874
Long-Term Liabilities:			
Net Pension Liability	123,024	178,286	(55,262)
Lease Liability	8,333	-	8,333
Total Liabilities	156,641	187,696	(31,055)
Deferred Inflows of Resources			
Pension	149,030	76,949	72,081
OPEB	42,584	61,021	(18,437)
Total Deferred Inflows of Resources	191,614	137,970	53,644
Net Position			
Restricted	139,846	123,412	16,434
Unrestricted	830,575	443,322	387,253
Total Net Position	\$ 970,421	\$ 566,734	\$ 403,687

At December 31, 2022, the Council's net position totaled \$970,421. Unrestricted current assets include cash held by the Council's banking institution, accounts receivables, and prepaid expenses. Unrestricted long-term assets consist of the net OPEB asset and the right-of use lease asset, net accumulated amortization. The right-of-use lease asset is reported as a result of the implementation of GASB 87. Unrestricted current liabilities include accounts payable, current portion of lease payable, and interest payable on lease liability.

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The net pension liability is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27. GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" significantly revised 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 the Council's actual financial condition by including deferred inflows related to pension and OPEB, and the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Standards set by the Governmental Accounting Standards Board 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 and 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 requires the net pension liability and the net OPEB liability to equal the Council's proportional share of each pan's collective:

1. Present value of estimated future pension 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 pension promise is a present obligation of the government, part of a bargainedfor benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Council 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 and 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 pension 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

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, the Council's statements prepared on an accrual basis of accounting include an annual pension expense and 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.

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Major Factors Affecting the Statement of Net Position

Net position increased by \$403,687 in total or 71% from the December 31, 2021 net position due to the increase in grants. Assets and deferred outflows increased by \$426,276 due to the increase in accounts receivable and right-of-use lease asset. Liabilities and deferred inflows increased by \$22,589 due to the increase of deferred inflows and recording of long and short-term lease liability as a result of the implementation of GASB 87.

Changes in Net Position

Table 2 presents details on the changes in net position.

Table 2
Changes in Net Position

2022	
Beginning Unrestricted	443,322
Beginning Restricted	123,412
Total Beginning Net Position	566,734
Results of Unrestricted Operations	387,253
Results of Restricted Operations	16,434
Total Results of Operations	403,687
Ending Unrestricted	830,575
Ending Restricted	139,846
Total Ending Net Position	970,421

While the result of operations is a significant measure of the Council's activities, the analysis of the changes in unrestricted funds provide a clearer change in the financial well-being.

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FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Statement of Activities

Table 3 reflects the changes in net position for 2022 as compared to 2021:

**Table 3
Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Operating Revenues			
Charges for Services	\$ 887,542	\$ 513,400	\$ 374,142
Operating Grants and Contributions	309,166	260,687	48,479
<i>Total Program Revenues</i>	<u>1,196,708</u>	<u>774,087</u>	<u>422,621</u>
General Revenues			
Interest Income	9,272	126	9,146
<i>Total Operating Revenues</i>	<u>9,272</u>	<u>126</u>	<u>9,146</u>
<i>Total Revenues</i>	<u>1,205,980</u>	<u>774,213</u>	<u>431,767</u>
 Program Expense			
Economic Development	802,174	464,130	338,044
Interest on Long-Term Lease	119	-	119
<i>Total Program Expenses</i>	<u>802,293</u>	<u>464,130</u>	<u>338,163</u>
 Change in Net Position	403,687	310,083	93,604
Net Position, Beginning of Year	566,734	256,651	310,083
<i>Net Position, End of Year</i>	<u>\$ 970,421</u>	<u>\$ 566,734</u>	<u>\$ 403,687</u>

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Major Factors Affecting the Statement of Activities

Revenues increased \$431,767 or 56% due to the increase in opt-out electric fees and carbon collection fees. Expenses increased by \$338,163 or 73% due to legal fees, salaries, OPERS, and a carbon fee disbursement to the City of Athens.

The largest of the revenues is the Charges for Services, consisting of Opt-Out Electric Fees and Opt-Out Natural Gas Fees, Carbon Fee Collections, and Mercantile Fees in the amounts of \$764,910, \$94,087, and \$28,545, respectively. These amounts collectively represent 73% of total revenues. The Council also receives an annual NOPEC Grant, an annual REDA reimbursement, and a quarterly AEP Grant. This income amounted to \$6,576, \$52,590, and \$250,000, respectively, and represents the Council's second largest revenue sources.

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ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS

The Council consists of two major funds, the General Fund and the Carbon Fee Collection Fund. For the year ended December 31, 2022, the Council reported governmental fund balance of \$1,114,225. The General Fund balance constitutes the unassigned fund balance which is available for appropriation for the general purposes of the fund, and the Carbon Fee Collection Fund constitutes the restricted fund balance for the specific purpose the collections are to be used for.

General Fund Budget

The Council is not required by law to prepare an annual budget; however, the Council does prepare an annual budget for the General Fund and Carbon Fee Collection Fund as part of internal control procedures. Management has included a condensed version of the annual budget in the MD&A report. The budget is prepared on the cash basis of accounting.

Opt-out electric fees are the main source of income for the Council, accounting for approximately 64% of the budgeted income within the General Fund.

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS (CONTINUED)

The following summarized the General Fund's budgeted results versus actual results for the year ended December 31, 2022.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Budgeted Amounts			Variance with Final Budget Over / (Under)
	Original	Final	Actual	
Support and Revenues				
Opt-Out Electric Fees	565,000	565,000	761,277	196,277
Mercantile Fees	20,000	20,000	28,545	8,545
Opt-Out Natural Gas Fees	3,200	3,200	3,633	433
NOPEC Grant	1,242	1,242	6,576	5,334
REDA Annual Reimbursement	50,000	50,000	52,590	2,590
AEP Energy Grant	250,000	250,000	250,000	0
Interest/investment revenues (losses)	-	-	9,272	9,272
Total Support and Revenues	<u>889,442</u>	<u>889,442</u>	<u>1,111,893</u>	<u>222,451</u>
Expenditures				
Business Expense	1,100	1,100	298	802
Business Registration Fees	2,500	2,500	160	2,340
Accounting Fees	12,000	12,000	9,300	2,700
Audit Expense	4,000	4,000	-	4,000
Legal Fees	60,000	60,000	103,744	(43,744)
Outside Contract (REDA)	-	-	2,424	(2,424)
REDA Operation	25,000	25,000	13,362	11,638
Community Grant Program	246,560	246,560	25,688	220,872
NOPEC Communities Grant	1,242	1,242	-	1,242
Consulting	10,000	10,000	-	10,000
Facilities and Equipment	5,000	5,000	-	5,000
Rent, Parking, and Utilities	20,000	20,000	1,089	18,911
Telephone, Telecommunications	3,500	3,500	3,450	50
Supplies	10,600	10,600	4,889	5,711
Promotion	45,000	45,000	61,256	(16,256)
Insurance	3,100	3,100	2,634	466
Salaries	348,849	348,849	341,355	7,494
Associate	-	-	-	-
Marketing	-	-	-	-
FICA	500	500	-	500
Workers Comp	250	250	130	120
OPERS	48,831	48,831	44,461	4,370
OPEB	-	-	-	-
Employee Benefits	65,000	65,000	49,729	15,271
Training Fees and Tuition	35,000	35,000	13,885	21,115
Professional Development	17,000	17,000	15,264	1,736
Other	2,000	2,000	142	1,858
Capital Outlay- Lease	-	-	36,763	(36,763)
Principal Payments- Lease	-	-	14,193	(14,193)
Interest Payments- Lease	-	-	111	(111)
Total Expenditures	<u>967,032</u>	<u>967,032</u>	<u>744,327</u>	<u>222,705</u>
Excess (deficiency) of Revenue over (under)				
Expenditures Before Operating Transfers	(77,590)	(77,590)	367,566	445,156
Other Financing Sources				
Proceeds From Lease Financing	-	-	36,764	36,764
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>36,764</u>	<u>36,764</u>
Net Change in Fund Balances	(77,590)	(77,590)	404,330	481,920
Fund Balance, Beginning of Year	<u>570,137</u>	<u>570,137</u>	<u>570,137</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 492,547</u>	<u>\$ 492,547</u>	<u>\$ 974,467</u>	<u>\$ 481,920</u>

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
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(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS (CONTINUED)

The following summarized the Carbon Fee Collection Fund's budgeted results versus actual results for the year ended December 31, 2022.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over / (Under)</u>
	<u>Original</u>	<u>Final</u>		
Support and Revenues				
Charges for Services- Carbon Fee	\$ 100,000	\$ 100,000	\$ 94,087	\$ (5,913)
Total Support and Revenues	<u>100,000</u>	<u>100,000</u>	<u>94,087</u>	<u>(5,913)</u>
Expenditures				
Carbon Fee	<u>100,000</u>	<u>100,000</u>	<u>77,741</u>	<u>(22,259)</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>77,741</u>	<u>(22,259)</u>
Net Change in Fund Balances	-	-	16,346	(28,172)
Fund Balance, Beginning of Year	<u>123,412</u>	<u>123,412</u>	<u>123,412</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 123,412</u>	<u>\$ 123,412</u>	<u>\$ 139,758</u>	<u>\$ (28,172)</u>

LONG-TERM OBLIGATIONS

The Council's long-term obligations consists of the net pension liability and the lease liability for 2022.

CURRENT ISSUES

During 2022, the Council continued to effectively manage public energy programs, governmental electric aggregation activities, and public-sector mercantile customer aggregation activities guided by a Board of Directors. The Council's Board of Directors meet every month. The Council utilizes the Board to monitor specific functions.

The Council continues operations in Athens, Ohio.

CONTACT INFORMATION

The financial report is designed to provide our citizens, taxpayers, and contributors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Luke Sulfridge- Executive Director, 340 West State Street, Athens, Ohio 45701.

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Southeast Ohio Public Energy Council
Athens County
Statement of Net Position
December 31, 2022

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 896,486
Cash - Restricted	139,846
Accounts Receivable	85,983
Prepaid Expenses	2,948
Total Current Assets	1,125,263
Non-Current Assets	
Net OPEB Asset	41,219
Right-of-Use Asset - Lease	36,763
Accumulated Amortization - Lease	(14,231)
Total Non-Current Assets	63,751
Total Assets	1,189,014
Deferred Outflows of Resources	
Pension	117,771
OPEB	11,891
Total Deferred Outflows of Resources	129,662
Total Assets and Deferred Outflows of Resources	\$ 1,318,676
Liabilities	
Current Liabilities	
Accounts Payable	11,038
Interest Payable - Lease	8
Current Portion - Lease	14,238
Total Current Liabilities	25,284
Non-Current Liabilities	
Net Pension Liability	123,024
Lease Liability	8,333
Total Non-Current Liabilities	131,357
Total Liabilities	156,641
Deferred Inflows of Resources	
Pension	149,030
OPEB	42,584
Total Deferred Inflows of Resources	191,614
Total Liabilities and Deferred Inflows of Resources	\$ 348,255
Net Position	
Restricted	139,846
Unrestricted	830,575
Total Net Positions	\$ 970,421
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,318,676

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Statement of Activities
For the Year Ended December 31, 2022

	Net (Expense) and Revenue		
	Program Revenues	Operating Revenues in Net Position	
	Expenditures	Charges for Services	Grants and Contributions for Governmental Activities
Governmental Activities:			
Economic Development	\$ 802,174	\$ 887,542	\$ 309,166
Interest on long-term lease	119	-	-
Total Governmental Activities	\$ 802,293	\$ 887,542	\$ 309,166
General Revenues:			
Interest Income			9,272
Total General Revenues			9,272
Change in Net Position			403,687
Net Position Beginning of Year, Restated			566,734
Net Position End of Year			\$ 970,421

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Carbon Fee Collection Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 896,574	\$ -	\$ 896,574
Cash - Restricted	-	139,758	139,758
Accounts Receivable	85,983	-	85,983
Prepaid Expenses	2,948	-	2,948
Total Assets	\$ 985,505	\$ 139,758	\$ 1,125,263
Liabilities			
Accounts Payable	\$ 11,038	\$ -	\$ 11,038
Total Liabilities	11,038	-	11,038
Fund Balances			
Restricted	-	139,758	139,758
Unassigned	974,467	-	974,467
Total Fund Balances	974,467	139,758	1,114,225
Total Liabilities and Fund Balances	\$ 985,505	\$ 139,758	\$ 1,125,263

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Reconciliation of Balance Sheet Governmental Funds to the Statement of Net Position
December 31, 2022

Total fund balances - governmental funds	\$ 1,114,225
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Amounts reported for governmental activities in the statement of net assets are different because:

Non-current assets used in governmental activities are not financial resources and therefore not reported in the funds.

Proportionate share of net OPEB asset	41,219
Right-of-use lease asset	36,763
Accumulated amortization of lease asset	(14,231)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	129,662
Deferred inflows of resources related to pensions	(191,614)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Proportionate share of net pension liability	(123,024)
Lease liability	(22,571)
Interest payable on lease liability	(8)

Net position of governmental activities	<u><u>\$ 970,421</u></u>
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See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Carbon Fee Collection Fund	Total Governmental Funds
Support and Revenues			
Charges for Services	\$ 793,455	\$ 94,087	\$ 887,542
AEP Energy Grant	250,000	-	250,000
NOPEC Grant	6,576	-	6,576
USDA Grant	52,590	-	52,590
Interest Revenue	9,272	-	9,272
Total Support and Revenues	1,111,893	94,087	1,205,980
Expenditures			
Business Expense	298	-	298
Business Registration Fees	160	-	160
Accounting Fees	9,300	-	9,300
Legal Fees	103,744	-	103,744
Outside Contract (REDA)	2,424	-	2,424
REDA Operations	13,362	-	13,362
Grant Programs	25,688	-	25,688
Rent, Parking, and Utilities	1,089	-	1,089
Telephone, Telecommunications	3,450	-	3,450
Supplies	4,889	-	4,889
Promotion	61,256	-	61,256
Carbon Fee	-	77,741	77,741
Insurance	2,634	-	2,634
Salaries	341,355	-	341,355
Workers Comp	130	-	130
OPERS	44,461	-	44,461
Employee Benefits	49,729	-	49,729
Training Fees and Tuition	13,885	-	13,885
Professional Development	15,264	-	15,264
Other	142	-	142
Capital Outlay - Lease	36,763	-	36,763
Debt Service:			
Principal Payments - Lease	14,193	-	14,193
Interest Payments - Lease	111	-	111
Total Expenditures	744,327	77,741	822,068
Excess (deficiency) of Revenue over (under)			
Expenditures Before Operating Transfers	367,566	16,346	383,912
Other Financing Sources/(Uses)			
Proceeds from Lease Financing	36,764	-	36,764
Total Other Financing Sources/(Uses)	36,764	-	36,764
Net Change in Fund Balances	404,330	16,346	420,676
Fund Balances, Beginning of Year, Restated	570,137	123,412	693,549
Fund Balances, End of Year	\$ 974,467	\$ 139,758	\$ 1,114,225

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds	\$	420,676
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditure over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Right-of-use lease asset		(38)
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.</p>		
		(8)
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred .</p>		
		45,697
<p>Governmental funds report Council pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Costs of benefits earned net of employee contributions		(72,290)
<p>Governmental funds report Council OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
Cost of benefits earned net of employee contributions		9,650
		9,650
Change in net position of governmental activities	\$	403,687

See Notes to the Financial Statements

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

NOTE 1 DESCRIPTION OF THE ENTITY

The Southeast Ohio Public Energy Council, (SOPEC) is a regional council of governments consisting of twenty-two member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from twenty-four Southeast Ohio counties. SOPEC is governed by a General Assembly, made up of one representative from each member community or political subdivision. The General Assembly shall appoint the Board of Directors, which shall include the five Regional Directors, one Director representing each of the five largest member communities in the Council, and up to five additional Directors appointed at large. SOPEC, established under Ohio Revised Code Chapter 167 in 2014, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

Reporting Entity

In evaluating how to define the governmental reporting entity, SOPEC complies with the provisions of GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34, under which the financial statements include all the organizations, activities, functions, and component units for which SOPEC (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) SOPEC'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 SOPEC. On this basis, SOPEC's financial reporting entity includes the Sustainable Power Alliance, Inc as a component unit .

Sustainable Power Alliance, Inc.

SOPEC filed with the Ohio Secretary of State to register the Sustainable Power Alliance, Inc. in August of 2022. Sustainable Power Alliance, Inc was to be organized and at all times operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code of 1986 (or any corresponding provision of any future United States internal revenue law, collectively referred to as the "Code"). To such ends, and within such restrictions, the Corporation's activities will include, but not be limited to: (a) procuring electricity and related products and services for sale to the political subdivisions that are members of the Southeast Ohio Public Energy Council and/or electric customers located within SOPEC member communities; (b) facilitating the development of and access to green energy resources for SOPEC member communities which will benefit the environment; and (c) promoting any other cooperative programs that relate to political subdivisions of the State of Ohio or any contiguous state(s) and any residents thereof which may be approved, from time to time, in accordance with these Articles of Incorporation and the Code of Regulations of the Corporation. No significant financial activity occurred for the Sustainable Power Alliance, Inc. during 2022. As a result, no financial information for the Sustainable Power Alliance, Inc. has been included as a component unit of the Authority and no additional disclosures have been made.

SOPEC participates in the Northeast Ohio Public Energy Council, a jointly governed organization. Note 11 to the financial statement provides additional information for this entity.

SOPEC's management believes this financial statement presents all activities for which SOPEC is financially accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of SOPEC 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 SOPEC's accounting policies are described below:

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

A. Basis of Presentation

SOPEC's basic financial statements consist of government-wide statements, which include a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about SOPEC as a whole. These statements include all the financial activities of SOPEC.

The Statement of Net Position presents the financial condition of the governmental activities of SOPEC at December 31, 2022. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of SOPEC'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 SOPEC.

Fund Financial Statements. SOPEC segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of SOPEC 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.

B. Fund Accounting

SOPEC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Council does not have any proprietary or fiduciary funds.

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 SOPEC's governmental funds:

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

Carbon Fee Collection Fund – The Carbon Fee Collection Fund accounts for and reports all financial resources relating to Carbon Fee receipts.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of SOPEC 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 governmentwide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, 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. SOPEC generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expense/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period which 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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgetary Process

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

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

E. Cash and Investments

To improve cash management, cash received by SOPEC is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through SOPEC records. Interest in the pool is presented as Cash and Cash Equivalents.

Investments of SOPEC's cash management pool and investments with an original maturity of three months or less at the time they are purchased by SOPEC are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During fiscal year 2022, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) . These investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), 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 Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District 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.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$9,272.

F. 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.

G. 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.

H. Accounts Payable, Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Long-term obligations are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

I. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by SOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Compensated Absences

SOPEC 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. SOPEC employees also earn sick leave which, if not taken, terminates upon retirement.

K. 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 SOPEC Board of Directors. Those committed amounts cannot be used for any other purpose unless the SOPEC 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 SOPEC 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.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

SOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. SOPEC does not have any committed or assigned fund balances at December 31, 2022.

L. Pensions

For purposes of measuring the net pension/OPEB liability, net pension asset, deferred outflows of resources and deferred inflow 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.

M. 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/expenditure) until then. For SOPEC, 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 Statements 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 as an inflow of resources (revenue) until that time. For SOPEC, deferred inflows of resources are reported on the Statement of Net Position related to pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2022.

NOTE 3 EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the SOPEC 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 SOPEC treasury, in commercial accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

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 SOPEC'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 SOPEC's interim monies available for investment.

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of SOPEC'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

SOPEC only invests in StarOhio which has a Aaa rating by Moody's . At December 31, 2022, the balance in StarOhio was \$659,308.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, SOPEC requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that SOPEC's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized statistical rating organization. SOPEC has no investment policy that addresses credit risk.

Concentration of Credit Risk SOPEC's investment policy places no limit on the amount it may invest in any one issuer.

NOTE 4 RIGHT-OF-USE LEASE ASSET AND LIABILITY

The Council acts as a lessee under an office lease agreement with Ohio University, the lessor, in accordance with GASB 87, *Leases*. The Council pays \$1,192 per month with a 1.5% interest fee for any late payments. The lease holds an option for annual renewal and the Council has renewed each year since 2019.

The following chart displays the expenses incurred related to the recording of right-of-use lease assets and liabilities:

Lease Expense

Amortization expense by class of underlying asset		
Office Space		\$14,231
Total amortization expense		14,231
Interest on lease liabilities		119
Total		\$14,350

The following chart displays the current year right-of-use asset and lease liability activity:

	Beginning of Year	Additions	Modifications & Remeasurement	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets						
Office Space	\$36,763				\$36,763	
Less: Accumulated Amortization						
Office Space	0	-14,231	0	0	-14,231	
Total Lease Assets, net	36,763	-14,231	0	0	22,532	
Lease Liabilities	\$36,763			-\$14,193	\$22,570	\$14,238

Amortization of the above liabilities, including principal and interest, is as follows:

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Maturity Analysis	Principal	Interest	Total Payments
2023	14,238	66	14,304
2024	8,333	11	8,344
Total Future Payments	<u>22,571</u>	<u>77</u>	<u>22,648</u>

NOTE 5 LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Council during the year ended December 31, 2022 were as follows:

	Beginning Balance 12/31/2021	Additions	Reductions	Ending Balance 12/31/2021	Amounts Due in One Year
Net Pension Liability	\$ 178,286	\$ -	\$ (55,262)	\$ 123,024	\$ -
Lease Liability	36,764	-	(14,193)	22,571	14,238
Total Long-Term Obligations	<u>\$ 215,050</u>	<u>\$ -</u>	<u>\$ (69,455)</u>	<u>\$ 145,595</u>	<u>\$ 14,238</u>

NOTE 6 DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the asset and obligation, respectively, of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must

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propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability.

The proportionate share of each plan's excess funded or 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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description

Plan Description - Council employees participate 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 is a defined contribution plan, and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Council employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in the 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 years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

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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 subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2021 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
	14.0%
Total Employer	14.0%
 Employee	 10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Council's contractually required contribution for the period ended December 31, 2022, were \$45,697. 100% has been contributed for 2022. Of this amount, \$0 is reported as accrued salaries payable.

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

The net pension asset and liability were measured as of December 31, 2021, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The Council's proportions of the net pension asset and liability were based on the Council'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:

	<u>Traditional Pension Plan</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$ 123,024
Proportion of the Net Pension Liability/(Asset)	0.00141%
Increase/(decrease) in % from prior proportion measured	0.00021%
Pension Expense	\$ 72,290

At December 31, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional Pension Plan</u>
Deferred Outflows of Resources	
Changes in assumptions	\$ 15,384
Differences between expected and actual experience	\$ 6,272
Changes in proportion and differences government contributions and proportionate share of contributions	\$ 50,418
Council contributions subsequent to the measurement date	\$ 45,697
Total Deferred Outflows of Resources	<u>\$ 117,771</u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 146,332
Differences between expected and actual experience	\$ 2,698
Total Deferred Inflows of Resources	<u>\$ 149,030</u>

\$45,697 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the

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year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2023	23,611
2024	(42,881)
2025	(34,407)
2026	(23,279)
Total	<u>(76,956)</u>

Actuarial Assumptions - OPERS

OPERS' total pension liability/(asset) was determined by the actuaries in accordance with GASB Statement No. 67, as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability/(asset) in the latest actuarial valuation, prepared as of December 31, 2021, are presented below:

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Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	6.90%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple

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

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3% for 2021.

The allocation of investment assets 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 2021 and the long-term expected real rates of return:

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Asset Class	Target Allocation for 2021	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
Total	100.00%	4.21%

Discount Rate The discount rate used to measure the total pension liability/(asset) was 6.9% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Council's proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.9%, as well as what the Council's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower (5.9%) or 1% higher (7.9%) than the current rate:

Employer's Net Pension Liability/(Asset)	1% Decrease 5.90%	Current Discount Rate 6.9%	1% Increase 7.90%
Traditional Pension Plan	\$ 324,357	\$ 123,024	\$ 44,513

NOTE 7 OTHER POST-EMPLOYMENT BENEFIT PLAN

Net OPEB Liability/(Asset)

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 net OPEB liability/(asset) represents the Council'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/(asset) 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 the Council's obligation for this liability/(asset) to annually required payments. The Council cannot control benefit terms or the manner in which OPEB are financed; however, The Council does receive the benefit of employees' services in exchange for compensation including OPEB.

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GASB 75 assumes the liability/(asset) 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/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of 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

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' ACFR 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/financialreports.shtml> or 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. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the

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combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. SOPEC's contractually required contributions for 2022 were \$0.

Net OPEB Liability/(Asset)

The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB liability/(asset) was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (41,219)
Proportion of the Net OPEB Liability/(Asset)	0.00132%
Increase/(decrease) in % from prior proportion measured	0.00020%
OPEB Expense/(Offset)	\$ (9,650)

At December 31, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ 11,891
Total Deferred Outflows of Resources	\$ 11,891
 Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 19,650
Differences between expected and actual experience	\$ 6,252
Changes in assumptions	\$ 16,682
Total Deferred Inflows of Resources \$ 42,584	\$ 42,584

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal year Ending	OPERS
December 31:	
2023	(15,568)
2024	(8,006)
2025	(4,297)
2026	(2,822)
Total	(30,693)

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, 2020, rolled forward to the measurement date of December 31, 2021.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2020
Rolled-forward measurement date	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75% (Includes wage inflation of 2.75%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034

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

A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan

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investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

The following table presents the OPEB liability/(asset) calculated using the single discount rate of 6.00%, and the expected net OPEB liability/(asset) if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Decrease 5.00%	Current Discount 6.00%	1% Increase 7.00%
Authority's proportionate share of the net OPEB liability/(Asset)	\$ (24,241)	\$ (41,219)	\$ (55,311)

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability/(Asset)	\$ (41,665)	\$ (41,219)	\$ (40,691)

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

The allocation of investment assets within the Health Care portfolio is approved by the Board 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. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board approved asset allocation policy for 2021 and the long-term expected real rates of return.

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Asset Class	Target Allocation for 2021	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00%	3.78%
REITs	7.00%	3.71%
International Equities	25.00%	4.88%
Risk Parity	2.00%	2.92%
Other Investments	7.00%	1.93%
Total	100.00%	3.45%

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 2021, 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 was a gain of 14.3% for 2021.

NOTE 8 IMPLEMENTATION OF GASB STATEMENT NO. 87, LEASES

Effective January 1, 2022, the Council adopted GASB Statement No. 87, Leases. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statement among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

NOTE 9 RISK MANAGEMENT

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

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.

The Council is uninsured for the following risks:

- Errors and omissions

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

been no significant reductions in insurance coverage from last fiscal year.

NOTE 10 CONTINGENT LIABILITIES

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

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS

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

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

NOTE 12 COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 13 SUBSEQUENT EVENTS

During 2023 and 2024, SOPEC expanded its membership by 13 and 4 members, respectively.

On May 4, 2023, SOPEC approved startup funds for the Sustainable Power Alliance of \$10,000.

On May 4, 2023, SOPEC terminated its Intergovernmental Cooperative Agreement dated as of January 1, 2016 between Northeast Ohio Public Energy Council(NOPEC) and Southeast Ohio Public Energy Council.

On November 30, 2023, The Council approved Community Grants for Gallipolis and Somerset via resolutions GA 23-36 and A 23-37.

In January 2024, SOPEC was also awarded \$12,545,691 under the Charging and Fueling Infrastructure (CFI) Program for a community project plan to add about 50 charging stations, including an estimated 200 Level 2 charging ports and 30 Level 3 DCFC charging ports.

On February 22, 2024, the Council approved a Community Grant to the City of Dayton via resolution GA-24-07.

On March 30, 2024, the Council approved resolution GA 24-14 authorizing all actions necessary to purchase property related to an old gas station in the City of Athens (one mile from Route 33). On this date, the Council also approved Community Grants for the City of Logan, Village of Chesterhill, Village of Somerset, and City of Athens via resolutions GA 24-18, GA 24-19, GA 24-20, and GA 24-21 , respectively.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2022**

In August 2024, the Council was awarded a \$4,180,045 grant from the U.S. Department of Transportation's Federal Highway Administration under the Charging and Fueling Infrastructure (CFI) Program.

On September 19, 2024, the Council approved Level 2 Charger Grant for the Village of New Straitsville via Resolution GA 24-34, Regional Community Grant to the Village of New Straitsville via Resolution GA 24-35, and Community Grant to Athens County via Resolution GA 24-36.

On March 6, 2025 the Council passed resolution GA 24-45 : authorizing of Formation of 501(c)(3) Nonprofit Organization.

NOTE 14 REVENUES AND UNEARNED REVENUES

SOPEC is funded through administrative fees received from energy suppliers with which it contracts to provide aggregated electricity and natural gas services to its members. SOPEC also receives various grants.

For 2022, SOPEC's administrative fees were based on the number and the respective utility consumption by its customers. Accounts receivable consists of billed but unpaid administrative fees.

**Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Proportionate Share of the Net Pension Liability**

**Ohio Public Employees Retirement System
Last Six Years (1)**

	2021	2020	2019	2018	2017	2016
<i>Traditional Plan:</i>						
Council's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.001204%	0.000677%	0.000119%	0.000000%	0.012900%	0.104500%
Council's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 178,286	\$ 133,814	\$ 32,591	\$ -	\$ 35,329	\$ 286,203
Council's covered payroll	\$ 169,575	\$ 130,263	\$ 16,043	\$ -	\$ 16,683	\$ 130,108
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.14%	102.73%	203.15%	0.00%	211.77%	219.97%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%

(1) Information prior to fiscal year 2016 is not available.

This schedule will be built prosepsectively.

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

See Notes to the Required Supplementary Information

Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Pension Contributions
Ohio Public Employees Retirement System
Last Seven Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015
<i>Traditional Plan:</i>							
Contractually required contribution	\$ 28,725	\$ 23,741	\$ 18,237	\$ 2,246	-	\$ 2,002	\$ 15,613
Contributions in relation to the contractually required contribution	<u>(28,725)</u>	<u>(23,741)</u>	<u>(18,237)</u>	<u>(2,246)</u>	<u>-</u>	<u>(2,002)</u>	<u>(15,613)</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Councils covered payroll	\$ 205,182	\$ 169,575	\$ 130,263	\$ 16,043	\$ -	\$ 16,683	\$ 130,108
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	0.00%	12.00%	12.00%

(1) Information prior to fiscal year 2015 is not available.

Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Proportionate Share of the Net OPEB Liability

	2021	2020	2019	2018	2017
Ohio Public Employees Retirement System Last Five Years (1)					
Council's proportion of the net pension liability (asset)	0.001121%	0.000858%	0.000542%	0.000380%	0.002630%
Council's proportionate share of the net pension liability (asset)	\$ (19,972)	\$ 118,512	\$ 70,664	\$ 49,543	\$ 26,564
Council's covered payroll	\$ 197,888	\$ 143,428	\$ 78,636	\$ 53,269	\$ 36,350
Council's proportionate share of the net pension liability as a percentage of its covered payroll	-10.09%	82.63%	89.86%	93.01%	73.08%
Plan fiduciary net position as a percentage of the total pension liability	115.57%	47.80%	46.33%	54.14%	(2)

(1) Information prior to 2016 is not available.

(2) Not published.

Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

See Notes to the Required Supplementary Information

**Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's OPEB Contributions**

**Ohio Public Employees Retirement System – OPEB Plan
Last Six Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 533	\$ 727
Contributions in relation to the contractually required contribution	-	-	-	-	(533)	(727)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-
Council's covered payroll	\$ 205,182	\$ 197,888	\$ 143,428	\$ 78,636	\$ 53,269	\$ 36,350
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

See Accompanying Notes to the Basic Financial Statements.

(1) Information prior to 2016 is not available.

(2) Information is presented on a fiscal year basis, consistent with Council's financial statements.

See Notes to the Required Supplementary Information

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2021.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

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**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

The Southeast Ohio Public Energy Council (the Council) Management's Discussion and Analysis is designed to a) assist the reader in focusing on significant financial issues; b) provide an overview of the Council's financial activity; c) identify changes in the Council's financial position (its ability to address the next and subsequent years challenges); and d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Council's financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

The Council is preparing financial statements according to accounting principles generally accepted in the United States of America (GAAP).

Net Position – The Council's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$566,734 at the close of the year ended December 31, 2021. Of this amount, the Council had an unrestricted balance of \$443,322 that may be used to meet the Council's ongoing obligations to citizens and creditors.

Changes in Net Position – The Council's total revenues were \$774,213 and total expenses were \$464,130 resulting in a positive change in net position of \$310,083 for the year ended December 31, 2021.

Fund Highlights:

Governmental Funds – Fund Balance As of the close of fiscal year 2021, the Council's governmental funds reported a total fund balance of \$693,549, an increase of \$316,697 in comparison with the prior year.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Council's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities. The basic financial statements include two kinds of financial statements that present different views of the Council – the Government-Wide Financial Statements and the Fund Financial Statements. These financial statements also include the notes to the Financial Statements that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements (reporting the Council as a whole)

The statement of net position and the statement of activities are two financial statements that report information about the Council as a whole and about its activities. They are designed to provide readers with a broad overview of the Council's finances in a manner similar to a private-sector business.

The statement of net position is similar to a balance sheet. This statement reports the resources owned by the Council (assets and deferred outflows of resources), obligations owed by the Council (liabilities and deferred inflows of resources), and the Council's net position (the difference between these components).

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

OVERVIEW OF BASIC FINANCIAL STATEMENTS (CONTINUED)

The focus of the statement of net position (unrestricted net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Council. Net position is reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of restricted assets, upon which constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: Consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted.

The statement of activities presents information showing how the Council's net position changed during the fiscal year 2021. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods or that resulted in cash flows in previous periods and are recorded as assets or liabilities in the statement of net position.

The report includes two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with the governmental activities (accrual accounting) on the appropriate government wide statements.

Fund Financial Statements (Reporting the Council's Major Fund)

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Council uses to keep track of specific sources of funding and spending for a particular purpose. The Council has one category of funds, the Governmental Funds. The governmental funds focus on how money flows into and out of the funds and balances left at year end that are available for future spending. The governmental funds financial statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. The governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Council has the following governmental funds:

- The General Fund reflects the ongoing operations of the Council that account for all financial resources, except those required to be accounted for in other funds.
- Carbon Fee Collection Fund reflects the carbon fees collected for the City of Athens by the Council. The Council holds the funds and makes distributions back to the City in accordance with agreed upon terms.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

Net Position

The statement of net position looks at the Council as a whole. The Council is engaged only in business-type activities. Table 1 provides a summary of the Council's net position at December 31, 2021 in comparison to December 31, 2020. Over time, net position can serve as a useful indicator of the Council's financial position.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Current and Other Assets	\$702,959	\$385,603	\$317,356
Long-Term Assets	19,972	16,063	3,909
<i>Total Assets</i>	<u>722,931</u>	<u>401,666</u>	<u>321,265</u>
Deferred Outflows of Resources			
Pension	127,544	123,527	4,017
OPEB	41,925	49,016	-7,091
<i>Total Outflows of Resources</i>	<u>169,469</u>	<u>172,543</u>	<u>-3,074</u>
Liabilities			
Current Liabilities	9,410	8,751	659
Long-Term Liabilities:			
Net Pension Liability	178,286	133,814	44,472
Net OPEB Liability	-	118,511	-118,511
<i>Total Liabilities</i>	<u>187,696</u>	<u>261,076</u>	<u>-73,380</u>
Deferred Inflows of Resources			
Pension	76,949	39,608	37,341
OPEB	61,021	16,874	44,147
<i>Total Deferred Inflows of Resources</i>	<u>137,970</u>	<u>56,482</u>	<u>81,488</u>
Net Position			
Restricted	123,412	-	123,412
Unrestricted	443,322	256,651	186,671
<i>Total Net Position</i>	<u>\$566,734</u>	<u>\$256,651</u>	<u>\$310,083</u>

At December 31, 2021, the Council's net position totaled \$566,734. Unrestricted current assets include cash held by the Council's banking institution and prepaid expenses. Unrestricted long-term assets consist of the net pension asset. Unrestricted current liabilities include accounts payable and accrued payroll taxes and withholdings.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
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FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

The net pension liability is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27. GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" significantly revised 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 the Council's actual financial condition by including deferred inflows related to pension and OPEB, and the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Standards set by the Governmental Accounting Standards Board 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 and 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 requires the net pension liability and the net OPEB liability to equal the Council's proportional share of each plan's collective:

1. Present value of estimated future pension 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 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, the Council 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 and 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.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
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FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

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 pension 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, the Council's statements prepared on an accrual basis of accounting include an annual pension expense and 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.

Major Factors Affecting the Statement of Net Position

Net position increased by \$310,083 in total or 121% from the December 31, 2020 restated net position due to the increase in grants. Assets and deferred outflows increased by \$318,191 due to the increase in accounts receivable and deferred outflows. Liabilities and deferred inflows increased by \$8,108 due to the increase in the net pension liability and deferred inflows.

Changes in Net Position

Table 2 presents details on the changes in net position.

**Table 2
Changes in Net Position**

	2021
Beginning Net Position	\$218,302
Restatement of Net Position	38,349
Results of Operations	310,083
Ending Net Position	\$566,734

While the result of operations is a significant measure of the Council's activities, the analysis of the changes in unrestricted funds provides a clearer change in the financial well-being.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Statement of Activities

Table 3 reflects the changes in net position for 2021 as compared to 2020:

**Table 3
Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Program Revenues			
Charges for Services	\$ 513,400	\$ 351,612	\$ 161,788
Operating Grants and Contributions- AEP Grant	250,000	187,500	62,500
Operating Grants and Contributions- NOPEC Grant	1,236	51,246	(50,010)
Operating Grants and Contributions- USDA Grant	9,451	-	9,451
<i>Total Program Revenues</i>	<u>774,087</u>	<u>590,358</u>	<u>183,729</u>
General Revenues			
Interest Income	126	-	126
<i>Total General Revenues</i>	<u>126</u>	<u>-</u>	<u>126</u>
Total Revenues	<u>774,213</u>	<u>590,358</u>	<u>183,855</u>
Expenditures- Economic Development			
Business Expense	-	438	(438)
Business Registration Fees	880	19	861
Accounting Fees	9,741	7,803	1,938
Audit Expense	3,074	144	2,930
Legal Fees	37,586	49,503	(11,917)
Outside Contract (REDA)	-	11,655	(11,655)
Community Grant Program	53,400	55,177	(1,777)
Quassar Biogas Feasibility Study	-	17,500	(17,500)
Vory's Advisor's LLC Consulting	2,087	2,188	(101)
Rent, Parking, and Utilities	12,455	10,518	1,937
Telephone, Telecommunications	2,825	2,400	425
Supplies	2,546	2,612	(66)
Promotion	30,638	23,547	7,091
Insurance	3,245	454	2,791
Salaries	212,831	169,575	43,256
FICA	205	2,350	(2,145)
Workers Comp	194	276	(82)
OPERS	118,974	62,936	56,038
OPEB	(85,966)	37,026	(122,992)
Employee Benefits	42,406	32,797	9,609
Training Fees and Tuition	1,369	4,361	(2,992)
Professional Development	6,173	2,217	3,956
Other	9,467	16,883	(7,416)
<i>Total Operating Expenses</i>	<u>464,130</u>	<u>512,379</u>	<u>(48,249)</u>
Change in Net Position	310,083	77,979	232,104
Net Position, Beginning of Year	<u>256,651</u>	<u>178,672</u>	<u>77,979</u>
<i>Net Position, End of Year</i>	<u>\$ 566,734</u>	<u>\$ 256,651</u>	<u>\$ 310,083</u>

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (CONTINUED)

Major Factors Affecting the Statement of Activities

Revenues increased \$183,855 or 31.1% due to the increase in grants. Expenses decreased by \$48,249 or 9% due to OPERS expense and OPEB expense.

The largest of the revenues is the Charges for Services, consisting of Opt-Out Electric Fees and, Opt-Out Natural Gas Fees, and Mercantile Fees in the amounts of \$513,400. These amounts collectively represent 48% of total revenues. The Council also receives an annual NOPEC Grant, a USDA grant, and a quarterly AEP Grant. This income amounted to \$1,236, \$9,451, and \$250,000, respectively, and represents the Council's second largest revenue sources.

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS

The Council consists of two major funds, the General Fund and the Carbon Fee Collections Fund. For the year ended December 31, 2021, the Council reported a governmental fund balance of \$693,549, the balance in the General Fund was \$570,137 and the balance in the Carbon Fee Collection Fund was \$123,412. The entire General Fund balance constitutes the unassigned fund balance which is available for appropriation for the general purposes of the fund. The entire fund balance in the Carbon Fee Collection Fund is restricted.

General Fund Budget

The Council is not required by law to prepare an annual budget; however, the Council does prepare an annual budget for the General Fund and Carbon Fee Collection Fund as part of internal control procedures. Management has included a condensed version of the annual budget in the MD&A report. The budget is prepared on the cash basis of accounting.

Opt-out electric fees are the main source of income for the Council, accounting for approximately 47% of the budgeted income.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS (CONTINUED)

The following summarizes the budgeted results versus actual results for the year ended December 31, 2021.

General Fund

For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Over / (Under)
Support and Revenues				
Opt-Out Electric Fees	325,000	325,000	412,525	87,525
Mercantile Fees	9,000	9,000	12,568	3,568
Opt-Out Natural Gas Fees	3,700	3,700	3,244	(456)
NOPEC Grant	1,200	1,216	1,236	20
REDA Annual Reimbursement	100,000	100,000	9,451	(90,549)
AEP Grant	250,000	250,000	250,000	0
Interest/investment revenues (losses)	-	-	126	126
Total Support and Revenues	<u>688,900</u>	<u>688,916</u>	<u>689,150</u>	<u>234</u>
Expenditures				
Business Expense	1,100	1,100	-	1,100
Business Registration Fees	5,000	5,000	880	4,120
Accounting Fees	15,000	15,000	9,741	5,259
Audit Expense	10,000	10,000	3,074	6,926
Legal Fees	60,000	60,000	37,586	22,414
Outside Contract (REDA)	33,000	33,000	-	33,000
Community Grant Program	120,000	120,000	53,400	66,600
NOPEC Communities Grant	1,200	1,216	-	1,216
Vory's Advisor's LLC Consulting	36,000	5,000	2,087	2,913
Facilities and Equipment	3,000	3,000	-	3,000
Rent, Parking, and Utilities	14,000	14,000	12,455	1,545
Telephone, Telecommunications	3,000	3,000	2,825	175
Supplies	12,250	12,250	2,546	9,704
Promotion	50,000	47,000	30,638	16,362
Insurance	4,000	4,000	3,245	755
Salaries	211,800	239,299	212,831	26,468
FICA	2,342	2,646	205	2,441
Workers Comp	215	243	194	49
OPERS	27,972	31,608	25,115	6,493
OPEB	-	-	1,279	(1,279)
Employee Benefits	35,200	40,976	42,406	(1,430)
Training Fees and Tuition	20,000	25,000	1,369	23,631
Professional Development	8,000	500	6,173	(5,673)
Other	400	6,000	9,467	(3,467)
Total Expenditures	<u>673,479</u>	<u>679,838</u>	<u>457,516</u>	<u>222,322</u>
Net Change in Fund Balances	15,421	9,078	231,634	222,556
Fund Balance, Beginning of Year- Restated	<u>338,503</u>	<u>338,503</u>	<u>338,503</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 353,924</u>	<u>\$ 347,581</u>	<u>\$ 570,137</u>	<u>\$ 222,556</u>

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS (CONTINUED)

Carbon Fee Collection Fund

For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over / (Under)</u>
	<u>Original</u>	<u>Final</u>		
Support and Revenues				
Charges for Services- Carbon Fee	\$ 100,000	\$ 100,000	\$ 85,063	(\$14,937)
Total Support and Revenues	<u>100,000</u>	<u>100,000</u>	<u>85,063</u>	<u>(14,937)</u>
Expenditures				
Carbon Fee	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Fund Balance, Beginning of Year- restated	<u>38,349</u>	<u>38,349</u>	<u>38,349</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 38,349</u>	<u>\$ 38,349</u>	<u>\$ 123,412</u>	<u>\$ 85,063</u>

LONG-TERM OBLIGATIONS

The Council's long-term obligations consist only of the net pension liability for 2021.

CURRENT ISSUES

During 2021, the Council continued to effectively manage public energy programs, governmental electric aggregation activities, and public-sector mercantile customer aggregation activities guided by a Board of Directors. The Council's Board of Directors meet every quarter. The Council utilizes the Board to monitor specific functions.

The Council continues operations in Athens, Ohio.

CONTACT INFORMATION

The financial report is designed to provide our citizens, taxpayers, and contributors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Shauniquita Walker, Finance Director, 340 West State Street, Athens, Ohio 45701.

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Southeast Ohio Public Energy Council
Athens County
Statement of Net Position
December 31, 2021

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 537,302
Cash - Restricted	123,412
Accounts Receivable	39,757
Prepaid Expenses	2,488
Total Current Assets	702,959
Non-Current Assets	
Net OPEB Asset	19,972
Total Non-Current Assets	19,972
Total Assets	722,931
Deferred Outflows of Resources	
Pension	127,544
OPEB	41,925
Total Deferred Outflows of Resources	169,469
Total Assets and Deferred Outflows of Resources	\$ 892,400
Liabilities	
Current Liabilities	
Accounts Payable	\$ 9,410
Total Current Liabilities	9,410
Non-Current Liabilities	
Net Pension Liability	178,286
Total Non-Current Liabilities	178,286
Total Liabilities	187,696
Deferred Inflows of Resources	
Pension	76,949
OPEB	61,021
Total Deferred Inflows of Resources	137,970
Total Liabilities and Deferred Inflows of Resources	\$ 325,666
Net Position	
Restricted	123,412
Unrestricted	443,322
Total Net Positions	\$ 566,734
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 892,400

See Notes to the Financial Statements

**Southeast Ohio Public Energy Council
Athens County
Statement of Activities
For the Year Ended December 31, 2021**

	Program Revenues	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Economic Development	\$ 464,130	\$ 513,400	\$ 309,957
Total Governmental Activities	\$ 464,130	\$ 513,400	\$ 309,957
General Revenues:			
Interest Income			126
Total General Revenues			126
Change in Net Position			310,083
Net Position Beginning of Year, Restated			256,651
Net Position End of Year			\$ 566,734

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Carbon Fee Collection Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 537,302	\$ -	\$ 537,302
Cash - Restricted	-	123,412	123,412
Accounts Receivable	39,757	-	39,757
Prepaid Expenses	2,488	-	2,488
	<u>\$ 579,547</u>	<u>\$ 123,412</u>	<u>\$ 702,959</u>
Liabilities			
Accounts Payable	\$ 9,410	\$ -	\$ 9,410
	<u>9,410</u>	<u>-</u>	<u>9,410</u>
Fund Balances			
Restricted	-	123,412	123,412
Unassigned	570,137	-	570,137
	<u>570,137</u>	<u>123,412</u>	<u>693,549</u>
Total Liabilities and Fund Balances	<u>\$ 579,547</u>	<u>\$ 123,412</u>	<u>\$ 702,959</u>

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Reconciliation of Balance Sheet Governmental Funds to the Statement of Net Position
December 31, 2021

Total fund balances - governmental funds	\$	693,549
Amounts reported for governmental activities in the statement of net assets are different because:		
Non-current assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Proportionate share of net OPEB asset		19,972
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		169,469
Deferred inflows of resources related to pensions		(137,970)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Proportionate share of net pension liability		<u>(178,286)</u>
Net position of governmental activities	\$	<u><u>566,734</u></u>

See Notes to the Financial Statements

Southeast Ohio Public Energy Council
Athens County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Carbon Fee Collection Fund	Total Governmental Funds
Support and Revenues			
Charges for Services	\$ 428,337	85,063	\$ 513,400
AEP Grant	250,000	-	250,000
NOPEC Grant	1,236	-	1,236
USDA Grant	9,451	-	9,451
Interest Revenue	126	-	126
Total Support and Revenues	689,150	85,063	774,213
Expenditures			
Business Registration Fees	880	-	880
Accounting Fees	9,741	-	9,741
Audit Expense	3,074	-	3,074
Legal Fees	37,586	-	37,586
Community Grant Program	53,400	-	53,400
Vory's Advisor's LLC Consulting	2,087	-	2,087
Rent, Parking, and Utilities	12,455	-	12,455
Telephone, Telecommunications	2,825	-	2,825
Supplies	2,546	-	2,546
Promotion	30,638	-	30,638
Insurance	3,245	-	3,245
Salaries	212,831	-	212,831
FICA	205	-	205
Workers Comp	194	-	194
OPERS	25,115	-	25,115
OPEB	1,279	-	1,279
Employee Benefits	42,406	-	42,406
Training Fees and Tuition	1,369	-	1,369
Professional Development	6,173	-	6,173
Other	9,467	-	9,467
Total Expenditures	457,516	-	457,516
Net Change in Fund Balances	231,634	85,063	316,697
Fund Balances, Beginning of Year, Restated	338,503	38,349	376,852
Fund Balances, End of Year	\$ 570,137	\$ 123,412	\$ 693,549

See Notes to the Financial Statements

**Southeast Ohio Public Energy Council
Athens County
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021**

Net change in fund balances - total governmental funds	\$	316,697
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Amounts reported for governmental activities in the Statement of Activities are different because:

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		28,725
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Governmental funds report Council pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
Costs of benefits earned net of employee contributions		(122,584)

Governmental funds report Council OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
Cost of benefits earned net of employee contributions		<u>87,245</u>

Change in net position of governmental activities	\$	<u><u>310,083</u></u>
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See Notes to the Financial Statements

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 DESCRIPTION OF THE ENTITY

The Southeast Ohio Public Energy Council, (SOPEC) is a regional council of governments consisting of twenty-one member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from twenty-four Southeast Ohio counties. SOPEC is governed by a General Assembly, made up of one representative from each member community or political subdivision. The General Assembly shall appoint the Board of Directors, which shall include the five Regional Directors, one Director representing each of the five largest member communities in the Council, and up to five additional Directors appointed at large. SOPEC, established under Ohio Revised Code Chapter 167 in 2014, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas.

Reporting Entity

In evaluating how to define the governmental reporting entity, SOPEC complies with the provisions of GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34, under which the financial statements include all the organizations, activities, functions, and component units for which SOPEC (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) SOPEC'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 SOPEC. On this basis, SOPEC's financial reporting entity does not have any component units.

SOPEC participates in the Northeast Ohio Public Energy Council, a jointly governed organization. Note 9 to the financial statement provides additional information for this entity.

SOPEC's management believes this financial statement presents all activities for which SOPEC is financially accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of SOPEC 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 SOPEC's accounting policies are described below:

A. Basis of Presentation

SOPEC's basic financial statements consist of government-wide statements, which include a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about SOPEC as a whole. These statements include all the financial activities of SOPEC.

The Statement of Net Position presents the financial condition of the governmental activities of SOPEC at December 31, 2021. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of SOPEC'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.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

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 SOPEC.

Fund Financial Statements. SOPEC segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of SOPEC at this more detailed level. The focus of governmental fund financial statements is on major funds. The major funds are presented in a separate column.

B. Fund Accounting

SOPEC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Council does not have any proprietary or fiduciary funds.

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 SOPEC's governmental funds:

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

Carbon Fee Collection Fund – The Carbon Fee Collection Fund accounts for and reports all financial resources relating to Carbon Fee receipts.

C. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of SOPEC 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 governmentwide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Differences in the accrual

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, 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. SOPEC generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expense/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period which 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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgetary Process

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

E. Cash and Investments

To improve cash management, cash received by SOPEC is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through SOPEC records. Interest in the pool is presented as Cash and Cash Equivalents.

Investments of SOPEC's cash management pool and investments with an original maturity of three months or less at the time they are purchased by SOPEC are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During fiscal year 2021, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) . These investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), 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 Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District 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.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2021,

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$126.

F. 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.

G. 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.

H. Accounts Payable, Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Long-term obligations are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

I. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by SOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Compensated Absences

SOPEC 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. SOPEC employees also earn sick leave which, if not taken, terminates upon retirement.

K. 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.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

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 SOPEC Board of Directors. Those committed amounts cannot be used for any other purpose unless the SOPEC 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 SOPEC 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.

SOPEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. SOPEC does not have any committed or assigned fund balances at December 31, 2021.

L. Pensions

For purposes of measuring the net pension/OPEB liability, net pension asset, deferred outflows of resources and deferred inflow 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.

M. 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/expenditure) until then. For SOPEC, 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 5 and 6.

In addition to liabilities, the Statements 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 as an inflow of resources (revenue) until that time. For SOPEC, deferred inflows of resources are reported on the Statement of Net Position related to pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2021.

NOTE 3 EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the SOPEC 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 SOPEC 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 SOPEC'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 SOPEC's interim monies available for investment.

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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 School District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. Protection of SOPEC'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 money deposited with the institution.

Investments

SOPEC only invests in StarOhio which has a Aaa rating by Moody's . At December 31, 2021, the balance in StarOhio was \$250,126.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, SOPEC requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that SOPEC's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized statistical rating organization. SOPEC has no investment policy that addresses credit risk.

Concentration of Credit Risk SOPEC's investment policy places no limit on the amount it may invest in any one issuer.

NOTE 4 LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Council during the year ended December 31, 2021 were as follows:

	Beginning Balance <u>12/31/2020</u>	Additions	Reductions	Ending Balance <u>12/31/2021</u>	Amounts Due in One Year
Net Pension Liability	\$ 133,814	\$ 44,472	\$ -	178,286	\$ -
Net OPEB Liability	118,511	-	(118,511)	-	-
Total Long-Term Obligations	<u>\$ 252,325</u>	<u>\$ 44,472</u>	<u>\$ (118,511)</u>	<u>\$ 178,286</u>	<u>\$ -</u>

For additional information related to the net pension and OPEB liabilities, see Notes 5 and 6.

NOTE 5 DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents an asset and a liability, respectively, to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to

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an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the asset and obligation, respectively, of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability.

Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's excess funded or unfunded benefits is presented as a long-term net pension asset or 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 intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description

Plan Description - Council employees participate 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 is a defined contribution plan, and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Council employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied

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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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in the 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 years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

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 subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2021 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

SOPEC's contractually required contributions was \$28,725 for fiscal year ending December 31, 2021.

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

The net pension asset and liability were measured as of December 31, 2020, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The Council's proportions of the net pension asset and liability were based on the Council'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:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 178,286
Proportion of the Net Pension Liability/(Asset)	0.001204%
Increase/(decrease) in % from prior proportion measured	0.000527%
Pension Expense	\$ 105,047

At December 31, 2021, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Traditional Pension Plan
Deferred Outflows of Resources	
Changes in proportion and differences government contributions and proportionate share of contributions	\$ 98,819
Council contributions subsequent to the measurement date	28,725
Total Deferred Outflows of Resources	\$ 127,544
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 69,491
Differences between expected and actual experience	7,458
Total Deferred Inflows of Resources	\$ 76,949

\$28,725 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. 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 Pension Plan
Fiscal year Ending June 30:	
2022	\$ 45,051
2023	14,622
2024	(28,328)
2025	(9,475)
Total	\$ 21,870

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability were determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2020, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 0.50% Simple through 2021, then 2.15% Simple

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 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.

During 2020 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined 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 on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7% for 2020.

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

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benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

Discount Rate The discount rate used to measure the total pension liability was 7.2%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.2%) or 1% higher (8.2%) than the current rate:

<u>Employer's Net Pension Liability/(Asset)</u>	<u>1% Decrease 6.2%</u>	<u>Current Discount Rate 7.2%</u>	<u>1% Increase 8.2%</u>
Traditional Pension Plan	\$ 340,082	\$ 178,286	\$ 43,753

NOTE 6 OTHER POST-EMPLOYMENT BENEFIT PLAN

Net OPEB Liability/(Asset)

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 net OPEB liability/(asset) represents the Council'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/(asset) 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.

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

GASB 75 assumes the liability/(asset) 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/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of 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

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' ACFR 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/financialreports.shtml> or 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. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. SOPEC's contractually required contributions for 2021 were \$0.

Net OPEB Liability/(Asset)

The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB liability/(asset) was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (19,972)
Proportion of the Net OPEB Liability/(Asset)	0.001121%
Increase/(decrease) in % from prior proportion measured	0.000263%
OPEB Expense	\$ (87,245)

At December 31, 2021, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	\$ 9,818
Changes in proportion and differences between government contributions and proportionate share of contributions	32,107
	41,925
Total Deferred Outflows of Resources	\$ 41,925
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 10,637
Differences between expected and actual experience	18,024
Changes in assumptions	32,360
	61,021
Total Deferred Inflows of Resources	\$ 61,021

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31:	<u>OPERS</u>
2022	(3,237)
2023	(9,984)
2024	(4,622)
2025	(1,253)
Total	(19,096)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date.

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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035

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

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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.

A single discount rate of 6.00% as used to measure the OPEB liability/(asset) on the measurement date of December 31, 2020. 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 6.00% and a municipal bond rate of 2.00%. 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

The following table presents the OPEB liability/(asset) calculated using the single discount rate of 6.00%, and the expected net OPEB liability/(asset) if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Authority's proportionate share of the net OPEB liability/(asset)	\$ (4,966)	\$ (19,972)	\$ (32,307)

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% 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 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability/(asset)	\$ (20,458)	\$ (19,972)	\$ (19,427)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
Total	100.00%	4.43%

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 2020, 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 10.50% for 2020.

NOTE 7 RISK MANAGEMENT

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

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.

The Council is uninsured for the following risks:

- Errors and Omissions

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 CONTINGENT LIABILITIES

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

NOTE 9 JOINTLY GOVERNED ORGANIZATIONS

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

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

NOTE 10 COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 11 SUBSEQUENT EVENTS

On February 17, 2022, the Board approved Board of Directors Resolution – BOD 22-09 approving the formation of a new entity. The Sustainable Power Alliance Inc. was determined to be exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(4). SOPEC filed with the Ohio Secretary of State to register the Sustainable Power Alliance, Inc. in August of 2022. Sustainable Power Alliance, Inc was to be organized and at all times operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code of 1986 (or any corresponding provision of any future United States internal revenue law, collectively referred to as the "Code"). To such ends, and within such restrictions, the Corporation's activities will include, but not be limited to: (a) procuring electricity and related products and services for sale to the political subdivisions that are members of the Southeast Ohio Public Energy Council and/or electric customers located within SOPEC member communities; (b) facilitating the development of and access to green energy resources for SOPEC member communities which will benefit the environment; and (c) promoting any other cooperative programs that relate to political subdivisions of the State of Ohio or any contiguous state(s) and any residents thereof which may be approved, from time to time, in accordance with these Articles of Incorporation and the Code of Regulations of the Corporation.

During 2023 and 2024, SOPEC expanded its membership by 13 and 4 members, respectively.

On May 4, 2023, SOPEC approved startup funds for the Sustainable Power Alliance of \$10,000.

On May 4, 2023, SOPEC terminated its Intergovernmental Cooperative Agreement dated as of January 1, 2016 between Northeast Ohio Public Energy Council(NOPEC) and Southeast Ohio Public Energy Council.

On November 30, 2023, The Council approved Community Grants for Gallipolis and Somerset via resolutions GA 23-36 and A 23-37.

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

In January 2024, SOPEC was also awarded \$12,545,691 under the Charging and Fueling Infrastructure (CFI) Program for a community project plan to add about 50 charging stations, including an estimated 200 Level 2 charging ports and 30 Level 3 DCFC charging ports.

On February 22, 2024, the Council approved a Community Grant to the City of Dayton via resolution GA-24-07.

On March 30, 2024, the Council approved resolution GA 24-14 authorizing all actions necessary to purchase property related to an old gas station in the City of Athens (one mile from Route 33). On this date, the Council also approved Community Grants for the City of Logan, Village of Chesterhill, Village of Somerset, and City of Athens via resolutions GA 24-18, GA 24-19, GA 24-20, and GA 24-21 , respectively.

In August 2024, the Council was awarded a \$4,180,045 grant from the U.S. Department of Transportation's Federal Highway Administration under the Charging and Fueling Infrastructure (CFI) Program.

On September 19, 2024, the Council approved Level 2 Charger Grant for the Village of New Straitsville via Resolution GA 24-34, Regional Community Grant to the Village of New Straitsville via Resolution GA 24-35, and Community Grant to Athens County via Resolution GA 24-36.

On March 6, 2025 the Council passed resolution GA 24-45 : authorizing of Formation of 501(c)(3) Nonprofit Organization.

NOTE 12 REVENUES AND UNEARNED REVENUES

SOPEC is funded through administrative fees received from energy suppliers with which it contracts to provide aggregated electricity and natural gas services to its members. SOPEC also receives various grants.

For 2021, SOPEC's administrative fees were based on the number and the respective utility consumption by its customers. Accounts receivable consists of billed but unpaid administrative fees.

NOTE 13 RESTATEMENT

The Council identified amounts during the current reporting period that should have been reported for the year ended December 31, 2020. The effects on fund balance and net position as of the beginning of the current reporting period are as follows:

**Southeast Ohio Public Energy Council
Athens County
Notes to The Financial Statements
For the Year Ended December 31, 2021**

	Governmental-Type Activities
Net Position, December 31, 2020	\$ 218,302
Adjustments:	
Correction of error related to cash	38,349
Restated Net Position, January 1, 2021	\$ 256,651

	Governmental Funds Carbon Fee Collection Fund
Fund Balance, December 31, 2020	\$ -
Adjustments:	
Correction of error related to cash	38,349
Restated Fund Balance, January 1, 2021	\$ 38,349

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Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System
Last Six Years (1)

	2021	2020	2019	2018	2017	2016
<i>Traditional Plan:</i>						
Council's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.001204%	0.000677%	0.000119%	0.000000%	0.012900%	0.104500%
Council's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 178,286	\$ 133,814	\$ 32,591	\$ -	\$ 35,329	\$ 286,203
Council's covered payroll	\$ 169,575	\$ 130,263	\$ 16,043	\$ -	\$ 16,683	\$ 130,108
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.14%	102.73%	203.15%	0.00%	211.77%	219.97%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%

(1) Information prior to fiscal year 2016 is not available.

This schedule will be built prosepsectively.

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

Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Pension Contributions
Ohio Public Employees Retirement System
Last Seven Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015
<i>Traditional Plan:</i>							
Contractually required contribution	\$ 28,725	\$ 23,741	\$ 18,237	\$ 2,246	-	\$ 2,002	\$ 15,613
Contributions in relation to the contractually required contribution	<u>(28,725)</u>	<u>(23,741)</u>	<u>(18,237)</u>	<u>(2,246)</u>	<u>-</u>	<u>(2,002)</u>	<u>(15,613)</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Councils covered payroll	\$ 205,182	\$ 169,575	\$ 130,263	\$ 16,043	\$ -	\$ 16,683	\$ 130,108
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	0.00%	12.00%	12.00%

(1) Information prior to fiscal year 2015 is not available.

Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's Proportionate Share of the Net OPEB Liability

	2021	2020	2019	2018	2017
Ohio Public Employees Retirement System Last Five Years (1)					
Council's proportion of the net pension liability (asset)	0.001121%	0.000858%	0.000542%	0.000380%	0.002630%
Council's proportionate share of the net pension liability (asset)	\$ (19,972)	\$ 118,512	\$ 70,664	\$ 49,543	\$ 26,564
Council's covered payroll	\$ 197,888	\$ 143,428	\$ 78,636	\$ 53,269	\$ 36,350
Council's proportionate share of the net pension liability as a percentage of its covered payroll	-10.09%	82.63%	89.86%	93.01%	73.08%
Plan fiduciary net position as a percentage of the total pension liability	115.57%	47.80%	46.33%	54.14%	(2)

(1) Information prior to 2016 is not available.

(2) Not published.

Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

See Notes to the Required Supplementary Information

**Southeast Ohio Public Energy Council
Athens County
Schedule of the Council's OPEB Contributions**

**Ohio Public Employees Retirement System – OPEB Plan
Last Six Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 533	\$ 727
Contributions in relation to the contractually required contribution	-	-	-	-	(533)	(727)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-
Council's covered payroll	\$ 205,182	\$ 197,888	\$ 143,428	\$ 78,636	\$ 53,269	\$ 36,350
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

See Accompanying Notes to the Basic Financial Statements.

(1) Information prior to 2016 is not available.

(2) Information is presented on a fiscal year basis, consistent with Council's financial statements.

See Notes to the Required Supplementary Information

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2021.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Southeast Ohio Public Energy Council, Athens County, Ohio (the Council) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 3, 2025 wherein we noted the Council restated the Carbon Fee Collection Fund and Governmental Activities Net Position as of December 31, 2020 to include the cash balance attributable to the Carbon Fee Collection Fund.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Council's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Council's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Council's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 3, 2025

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Material Weakness - Monitoring

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories, including but not limited to, reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition. When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The small size of the Corporation did not allow for an adequate segregation of duties. It is therefore important the Board be integrally involved and monitor financial activity closely.

The Corporation's Board of Directors did not meet during 15 of the months in 2021-2022, for which there were no formal reviews documented or approvals of monthly financial reports, bank reconciliations and other operating activity and decisions surrounding the Corporation. In addition, one month in which they did meet did not indicate any such reviewed occurred at the meeting.

Failure to review monthly financial statements and bank reconciliations increases the possibility the Board of Directors does not have a complete understanding of the Corporation's financial position when deciding on the various operations of the Corporation. In addition, the Board of Directors' review and approval of monthly financial reports would serve to mitigate risks for a lack of segregation of duties and inconsistency of a responsible individual.

The Board should review and approve various financial reports timely. Reports should include, but are not limited to, the following: Bank to book reconciliation; Check Detail Report; Deposit Detail Report; Budget versus Actual Reports, should the Board enact a budget. This will help to mitigate risks of incorrectly reporting financial activity as well as provide the Board better oversight. Regular review of this information is a valuable tool for management to identify and react to unexpected activity and to identify and correct errors in a timely manner. These reviews and specific reports and information should be evidenced by documentation in the Corporation's minutes.

Officials' Response: Section 5(C) of the SOPEC Bylaws state: "The Board of Directors shall hold regular meetings not less than once per calendar quarter at such times as may be determined by the Board or the Chairman, unless such quarterly Board of Directors meetings are replaced by 5(D)(E) meetings of the Assembly." SOPEC Treasurer Gary Goosman, who was elected to this position by the SOPEC Board of Directors, has ongoing access to SOPEC bank accounts and financial information. He has routine communication with SOPEC staff. As such, SOPEC Treasurer Goosman monitored financial activity throughout the audit period on behalf of the Board of Directors. However, formal documentation of the timing and extent of that monitoring was not maintained. SOPEC will update its procedures to more fully document the controls established by the Board of Directors to ensure proper monitoring.

**SOUTHEAST OHIO PUBLIC ENERGY COUNCIL
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-002

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) and contractual provisions.

The Council classified certain transactions incorrectly resulting in material audit adjustments and reclassifications.

For the year ended December 31, 2022, in the General Fund, a grant was misclassified resulting in an increase to USDA Grant revenues and a decrease in Charges for Services of \$52,590.

For the year ended December 31, 2021, in the General Fund, misclassification of revenue resulted in a decrease in AEP Grant revenues of \$38,246, an increase in USDA Grant revenues of \$9,451, and an increase in Charges for Services of \$28,785.

These misstatements were caused by misunderstandings concerning classification. As a result, these adjustments, and other immaterial adjustments, with which the Council's management agrees, were made to the financial statements and are reflected in the accompanying financial statements. Additionally, audit adjustments were also made to the footnotes to the financial statements to ensure all required disclosures were made.

The Executive Director, or other management personnel, as designated by the Council, should take additional care in reviewing the annual financial report for submission in the Hinkle system in order to ensure the financial statements reflect the proper amounts and classifications.

Officials' Response: Perry & Associates CPAs, SOPEC's independent public accounting firm during the audit period, was contracted to complete the Compilation Report (Hinkle). Despite proper documentation in SOPEC's internal financials, Perry & Associates CPAs classified certain transactions incorrectly in the Compilation Report, resulting in material audit adjustments and reclassifications. SOPEC will update its procedures to request the draft Compilation Report is provided by the contracted accounting firm in a timely manner so as to ensure an appropriate amount of time for SOPEC staff to review the draft Report before it is finalized and filed with the Auditor of State.

OHIO AUDITOR OF STATE KEITH FABER



SOUTHEAST OHIO PUBLIC ENERGY COUNCIL

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/17/2025

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

This report is a matter of public record and is available online at
www.ohioauditor.gov