NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Dave Yost • Auditor of State

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio (the Council), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, as of December 31, 2016 and 2015, and the respective changes in financial position thereof and for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2015, the Council adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

July 27, 2018

The management's discussion and analysis of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC's) financial performance provides an overall review of NOPEC's financial activities for the years ended December 31, 2016 and 2015. The intent of this discussion and analysis is to look at NOPEC's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of NOPEC's financial performance.

Highlights
Key highlights for 2016 and 2015 are as follows:

- NOPEC is the largest public energy aggregation in the United States working in 200 communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.
- NOPEC pension liabilities increased to $968,749 and $592,060 for 2016 and 2015 due to the implementation of GASB 68 in 2015.
- Net position increased $5,422,349 or 15% for 2016 and an additional $4,605,856 or 14% for 2015. The increase in 2016 is due mainly to a new electric supplier contract and continuing operations and the increase in 2015 is due mainly to continuing operations.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 96% and 99% of total revenues in 2016 and 2015, respectively.

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

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

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

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

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

Reporting NOPEC as a Whole
The combined statements of net position and statements of activities reflect how NOPEC performed financially during 2016 and 2015.

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

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

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

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

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

NOPEC as a Whole

Table 1 provides a summary of NOPEC's net position for 2016 and 2015 compared to 2014:

Table 1

Net Position

	As of December 31,		
	2016	2015	2014
Assets			
Cash and Cash Equivalents	$41,686,361	$36,215,371	$30,944,440
Accounts and Note Receivable	1,380,165	1,566,200	2,458,776
Prepaid Expenses	61,975	1,343,519	842,501
Net Investment in Capital Assets	803,896	807,016	784,168
Total Assets	43,932,397	39,932,106	35,029,885
Deferred Outflow of Resources			
Pension	388,699	115,129	0
Liabilities			
Accounts Payable	194,900	123,108	384,571
Deferred Revenue	1,875,000	3,478,835	2,829,653
Net Pension Liability	968,749	592,060	0
Total Liabilities	3,038,649	4,194,003	3,214,224
Deferred Inflow of Resources			
Pension	17,268	10,401	0
Net Position			
Net investment in Capital Assets	803,896	807,016	784,168
Unrestricted	40,461,283	35,035,814	31,031,493
Total Net Assets	$41,265,179	$35,842,830	$31,815,661

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

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

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

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

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

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

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

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

There is no related debt to the Capital Assets. Capital Assets were $803,896 and $807,016 at December 31, 2016 and 2015, respectively. The Capital Assets are used to provide services to citizens in member communities.

As mentioned previously, net position of governmental activities increased $5,422,349 or 15% for 2016 and an additional $4,605,856 or 14% for 2015 and an additional $6,129,151 or 24% for 2014. The increase in assets in 2016, 2015 and 2014 was the result of changes in overall net assets and a 2014 purchase of additional office space and office equipment.

Table 2 reflects the changes in net position in 2016, 2015 and 2014.

Table 2

	For the Years Ended December 31		
	2016	2015	2014
Revenues			
Program Revenues:			
Charges for Services	$13,693,689	$11,231,050	$11,720,017
Total Program Revenues	$13,693,689	$11,231,050	$11,720,017
General Revenues:			
Interest and Other	347,078	314,732	135,356
Total General Revenues	347,078	314,732	135,356
Total Revenues	14,040,767	11,545,782	11,855,373
Program Expenses:			
General Government	8,618,418	6,939,926	5,726,222
Total Program Expenses	8,618,418	6,939,926	5,726,222
Increase in Net Position	5,422,349	4,605,856	6,129,151
Effect of GASB 68 at 1/1/15		(578,687)	
Net Position, January 1	35,842,830	31,815,661	25,686,510
Net Position, December 31	$41,265,179	$35,842,830	$31,815,661

Management fees historically represent a significant portion of NOPEC's total receipts including fees under a NOPECconnect program that operated in 2016 and 2015. In addition, NOPEC received additional charges for services in 2016, 2015 and 2014, respectively, as a result of acquisition costs related to entering new gas and electric contracts. Other receipts consist of interest earned, reimbursed expenses and office rental income.

Program expenses represent the overhead costs of running NOPEC's activities. These include marketing and communication services to member communities and potential member communities, legal fees, aggregation services and other supporting services. In 2016 and 2015, NOPEC also paid FirstEnergy $3,418,519 and $2,791,481 to extend the electric contract discount through the end of 2016 and 2015 respectively, which were the largest single expense categories for NOPEC during 2016 and 2015.

Governmental Activities
NOPEC is a jointly governed organization working in 200 communities currently.

NOPEC's Funds

Total governmental funds had revenues of $14,040,767 and expenditures of $8,505,311 for the year ended December 31, 2016; and revenues of $11,545,782 and expenditures of $7,054,129 for the year ended December 31, 2015. The fund balance of the General Fund increased $5,535,456 in 2016 and $4,491,653 in 2015 indicating that the General Fund is in a surplus condition.

General Fund Budgeting Highlights
NOPEC is not bound by the budgetary laws prescribed by the Ohio Revised Code. However, NOPEC did maintain formal budgets for 2016 and 2015.

Net Investment in Capital Assets
At the end of Fiscal 2016, NOPEC had $803,896 (net of accumulated depreciation) invested in three office condominium buildings and equipment. The following table shows fiscal 2016 balances compared to 2015.

Capital Assets at December 31
(net of depreciation)

	Governmental Activities	
	2016	2015
Building	$717,385	$733,201
Equipment	86,511	73,815
	$803,896	$807,016

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

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

NORTHEAST OHIO PUBLIC ENERGY COUNCIL

CUYAHOGA COUNTY

Statement of Net Position

December 31, 2016 and 2015

	Government Activities 2016	Government Activities 2015
Assets		
Equity in Pooled Cash and Cash Equivalents	$41,686,361	$36,215,371
Accounts Receivable	1,055,165	1,566,200
Prepaid Expenses	61,975	1,343,519
Note Receivable - PACE	325,000	0
Net Investment in Capital Assets	803,896	807,016
Total Assets	43,932,397	39,932,106
Deferred Outflow of Resources		
Pension	388,699	115,129
Total Deferred Outflow of Resources	388,699	115,129
Liabilities		
Accounts Payable and Accrued Expenses	194,900	123,108
Deferred Revenue	1,875,000	3,478,836
Net Pension Liability	968,749	592,060
Total Liabilities	3,038,649	4,194,004
Deferred Inflow of Resources		
Pension	17,268	10,401
Total Deferred Inflow of Resources	17,268	10,401
Net Position		
Net Investment in Capital Assets	803,896	807,016
Unrestricted	40,461,283	35,035,814
Total Net Position	$41,265,179	$35,842,830

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	$6,939,926	$11,231,050	$4,291,124
Total Government Activities	$6,939,926	$11,231,050	4,291,124
		General Revenues	
		Interest and rental income	314,732
		Total General Revenues	314,732
		Change in Net Position	4,605,856
		Net Position Beginning of Year	31,815,661
		GASB 68 restatement effect	(578,687)
		Net Position End of Year	$35,842,830

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Balance Sheet
General Fund
December 31, 2016 and 2015

	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	$41,686,361	$36,215,370
Accounts Receivable	1,055,165	1,566,200
Prepaid Expenses	61,975	1,343,519
Note Receivable - PACE	325,000	0
Total Assets	$43,128,501	$39,125,089
Liabilities and Fund Balances		
Liabilities		
Accounts Payable and Accrued Expenses	194,900	123,108
Deferred Revenue	1,875,000	3,478,836
Total Liabilities	2,069,900	3,601,944
Fund Balances		
Nonspendable	$386,975	$1,343,519
Unassigned	40,671,626	34,179,627
	41,058,601	35,523,146
Total Liabilities and Fund Balances	$43,128,501	$39,125,090

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016 and 2015

	2016	2015
Total Governmental Fund Balances	$41,058,601	$35,523,146
Amounts reported for governmental activities in the statement of net assets are different because		
Deferred Outflow of Resources	388,699	115,129
Deferred Inflow of Resources	(17,268)	(10,401)
Net Pension Liability GASB 68	(968,749)	(592,060)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	803,896	807,016
Net Position of Governmental Activities	$41,265,179	$35,842,830

See accompanying notes to the basic financial statements

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2016 and 2015

	2016 General Fund	2015 General Fund
Revenues:		
Management Fees	$13,693,688	$11,231,050
Interest and Other	347,079	314,732
Total Revenues	14,040,767	11,545,782
Expenses:		
Current:		
Commercial programs	81,645	21,000
Communication Services	80,550	54,000
Legal Fees	1,089,764	770,434
Accounting/Audit/Investment Fees	141,540	128,663
Consulting/Database and Strategic Planning	146,511	62,158
Support for CRES	1,200,000	1,200,000
Marketing and Membership	535,873	521,680
Sales support	273,024	309,101
Office/Postage/Telephone/Insurance	139,609	139,415
Salaries, Wages and Payroll Taxes	1,272,601	909,314
Electric Program discount	3,418,519	2,791,481
Capital Outlay	46,384	61,899
Meetings/Travel	79,291	84,984
Total Expenses	8,505,311	7,054,129
Excess of Revenues Over Expenditures	5,535,456	4,491,653
Fund Balance, Beginning of Year	35,523,146	31,031,493
Fund Balance, End of Year	$41,058,602	$35,523,146

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Years Ended December 31, 2016 and 2015

	2016	2015
Net Change in Fund Balances - Total Governmental Funds	$5,535,456	$4,491,653
Government funds pension payments as expenditures. However, in the Statement of Activities, pension costs are measured and reported with pension activities - deferred outflows, deferred inflows and pension liabilities as required by GASB 68		
Additional pension cost per GASB 68	(109,987)	91,355
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense/ This is the amount by which capital outlays exceeded depreciation expense in the respective period.		
Capital outlays	46,384	61,899
Depreciation	(49,504)	(39,051)
Change in Net Position of Governmental Activities	$5,422,349	$4,605,856

See accompanying notes to the basic financial statements.

NOTE 1 DESCRIPTION OF THE ENTITY

The Northeast Ohio Public Energy Council, (NOPEC) is a regional council of governments consisting of approximately 200 member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from nine Northeast Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county elect one person to serve on the nine-member NOPEC Board of Directors. The Council, established under Ohio Revised Code Chapter 167, in 2000, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas. NOPEC seeks to provide electricity and natural gas at the lowest possible rates while also ensuring stability in prices by pursuing long-term contracts with suppliers.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

B. Cash and Investments

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

securities are valued at historical cost plus interest posted, which is the amount the investments could be sold for on December 31, 2016 and 2015.

NOPEC also invested in STAR Ohio (the State Treasurer's investment pool), an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within theState to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2016 and 2015.

C. Budgetary Process

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

D. Basis of Presentation

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

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

The statements of net position present the financial condition of the governmental activities of NOPEC at December 31, 2016 and 2015. The statements of activities present a comparison between direct expenses and program revenues for each program or function of NOPEC's governmental activities. Program revenues include monies provided by the recipient of the services offered by the program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of NOPEC.

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

E. Fund Accounting

NOPEC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

F. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

G. Use of Estimates

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

H. Net Investment in Capital Assets

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

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

I. Accounts payable and accrued liabilities

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

J. Net Position

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

NOPEC accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2016 and 2015, NOPEC employees did not have any carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

L. Fund Balances

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

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

M. Pensions

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

N. Deferred Outflows/Inflows of Resources

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

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

NOTE 3 REVENUES AND DEFERRED REVENUES

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

For 2016 and 2015, NOPEC's administrative fees were based on annual contractually agreed upon amounts, on the number of new customers and on the respective consumption of natural gas by its customers. Accounts receivable consist of billed but unpaid administrative fees.

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

NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK

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

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

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

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

Interim monies may be deposited or invested in the following:

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

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

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

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

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

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

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

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

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

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

1. Bonds of the State of Ohio;

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

3. Obligations of NOPEC.

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

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

Deposits

The carrying amount of NOPEC's deposits total $230,533 and $9,834,493, as of December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, $230,533 and $9,834,493 of NOPEC's bank balances, respectively were insured by FDIC and collateralized by a bank's pooled securities account. As such, securities were held by the pledging financial institutions' trust departments in NOPEC's name and all state statutory requirements for the investment of money had been followed. Noncompliance with federal requirements could potentially subject NOPEC to a successful claim by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, NOPEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. NOPEC has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with

NOPEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

Investments

As of December 31, 2016 and 2015, NOPEC had the following investments and maturities:

Investment Type	2016 Balance at Fair Value	December 31, 2016 Investment Maturity 60 months or less	2015 Balance at Fair Value	December 31, 2015 Investment Maturity 60 months or less
Managed Investments	$34,068,887	$34,376,214	$26,284,332	$26,284,332
STAR Ohio	1,740,367	1,740,367	179,762	179,762
	$35,809,254	$36,116,581	$26,464,094	$26,464,094

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

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

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

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

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

	Balances 1/1/2015	Additions	Disposals	Balances 12/31/2015
Governmental Activities				
Depreciable Assets				
Buildings	$748,180	$42,592	$0	$790,772
Equipment	133,884	19,307		153,191
Total Depreciable Assets	882,064	61,899	0	943,963
Less Accumulated Depreciation				
Buildings	41,756	15,815		57,571
Equipment	56,140	23,236	0	79,376
Total Accumulated Depreciation	97,896	39,051	0	136,947
Total Depreciable Assets, Net	784,168	22,848	0	807,016
Governmental Activities Capital Assets, Net	$784,168	$22,848	$0	$807,016

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

NOTE 6 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Net Pension Liability

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

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

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

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

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

Plan Description

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

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

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

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

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

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Funding Policy

The Ohio Revised Code provides statutory authority for members and employer contributions and currently limits the employer contribution rate not to exceed 14% of covered payroll for state and local employer units (12% for funding pension benefits plus 2% for funding postemployment health care benefits). Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll. NOPEC's contractually required contributions were $131,023 and $101,790 for 2016 and 2015, respectively.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of that date. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	12/31/16	**12/31/15**
Proportionate Share of the NET Pension Liability	$968,749	$592,060
Proportion of the Net Pension Liability	0.005593%	0.004909%
Pension Expense	$336,729	$136,130

At December 31, 2016 and 2015, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2016	**2015**
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ 279,687	$ 31,591
NOPEC contributions subsequent to the measurement date	108,349	83,538
Total Deferred Outflows of Resources	$734,981	$115,129
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 17,268	$ 10,401

$108,349 of deferred outflows of resources related to pension resulting from NOPEC contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

		Traditional
Year Ending December 31:		
	2017	$ 62,280
	2018	62,280
	2019	66,833
	2020	71,026
Total		$ 262,419

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actual valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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.

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

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

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

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

Discount Rate: The Discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Traditional Plan	1% decrease $1,543,500	Current $968,749	1% increase $484,018

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NOPEC's contractually required contribution was $108,349 and $83,538 for 2016 and 2015, respectively.

NOTE 7 POST RETIREMENT BENEFITS

Plan Description

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

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

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

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

Funding Policy

The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer’s contributions to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016 and 2015, state and local employers contributed 14% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2% for 2016 and 2015. The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or retiree’s surviving beneficiaries. Payment amounts

NOTE 7 POST RETIREMENT BENEFITS – (Continued)

vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

NOPEC's contributions to fund postemployment health care benefits for 2016 and 2015 were $21,649 and $13,923, respectively. The full amounts have been contributed for both years.

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2016 and 2015, NOPEC contracted with the Hylant Group for various types of liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

NOTE 9 RELATED PARTY TRANSACTIONS

In 2007, NOPEC authorized creation of NOPEC, Inc., a not-for-profit corporation to be the PUCO-certified retail electric and gas supplier (CRES) for NOPEC's electric and gas aggregation programs. NOPEC funded Grants to NOPEC, Inc. in 2016 and 2015 totaling $1,200,000 and $1,200,000, respectively.

NOTE 10 PREPAID EXPENSES

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

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, NOPEC implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing the pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported January 1, 2015:

Net position January 1, 2015	**$31,815,661**
Less: Net effect of GASB 68 Net pension liability	**(578,687)**
Restated Net position January 1, 2015	**$31,236,974**

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Proportionate Share of Net Pension Liability - Traditional Plan
2016 and 2015

	2016	2015
NOPEC's Proportion of the Net Pension Liability	0.006985%	0.005593%
NOPEC's Proportionate share of the Net Pension Liability	$968,749	$592,060
NOPEC's Employee payroll	$902,900	$696,150
NOPEC's proportionate share of the Net Pension liability as a percentage of it Employee payroll	107.29%	85.05%

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC Contributions to OPERS - Traditional Plan
2016 and 2015

	2016	2015
Contractually required contribution	$108,349	$83,538
Contributions in relation to contractually required contributions	108,349	83,538
Contribution deficiency (excess)	$0	$0
NOPEC employee payroll	$902,900	$696,150
Contributions as a percentage of employee payroll	12.00%	12.00%

See accompanying notes to the basic financial statements.

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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*

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, (the Council) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated July 27, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

July 27, 2018

Dave Yost • Auditor of State

NORTHEAST OHIO PUBLIC ENERGY COUNCIL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2018

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