OHIO AUDITOR OF STATE
KEITH FABER

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
DECEMBER 31, 2020, 2019 AND 2018

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CUYAHOGA COUNTY
DECEMBER 31, 2020, 2019 AND 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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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, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Council, as of December 31, 2020, 2019, and 2018, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements for the years ended December 31, 2020 and 2019, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2021

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Management's Discussion and Analysis
December 31, 2020 and 2019
(UNAUDITED)

The management's discussion and analysis of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC's) financial performance provides an overall review of NOPEC's financial activities for the years ended December 31, 2020 and 2019. 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 2020 and 2019 are as follows:

- NOPEC is the largest public energy aggregation in Ohio with over 240 member communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.
- The changes NOPEC pension and OPEB liabilities are due to the recording of GASB 68 and GASB 75.
- Net position increased by $2,475,316 or 5.8% for 2020 and increased $1,331,394 or 3.2% for 2019. The increases in 2020 and 2019 are due mainly to continuing operations.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 93.0% and 93.2% of total revenues in 2020 and 2019, 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 Statement of Net Position and Statement 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.

Reporting NOPEC as a Whole

The Statement of Net Position and Statement of Activities reflect how NOPEC performed financially during 2020 and 2019. These statements include all *non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report NOPEC's *net position* and *changes in 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 Statement of Net Position and Statement of Activities, all activity of NOPEC is reported:

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

Reporting NOPEC's Most Significant Fund

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. Fund financial statements focus on the most significant funds. 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 on the following page provides a summary of NOPEC's net position for 2020 and 2019 compared to 2018:

Table 1 - Net Position

	As of December 31		
	2020	2019	2018
Assets			
Cash and Cash Equivalents	$42,807,507	$37,686,277	$33,651,844
Accounts, Interest and Note Receivable	3,979,624	6,453,348	11,327,819
Prepaid Expenses	160,014	32,606	24,433
Capital Assets, Net	1,178,711	965,678	995,820
Total Assets	48,125,856	45,137,909	45,999,916
Deferred Outflow of Resources			
Pension	404,349	786,457	392,937
OPEB	593,100	283,590	102,206
Total Deferred Outflows of Resources	997,449	1,070,047	495,143
Liabilities			
Accounts Payable	127,334	208,015	3,060,211
Deferred Revenue	0	35,243	0
Net Pension Liability	1,699,058	2,167,210	1,097,066
Net OPEB Liability	1,655,854	1,196,203	784,039
Total Liabilities	3,482,246	3,606,671	4,941,316
Deferred Inflow of Resources			
Pension	360,408	28,456	257,148
OPEB	235,752	3,246	58,406
Total Deferred Inflows of Resources	596,160	31,702	315,554
Net Position			
Investment in Capital Assets	1,178,711	965,678	995,820
Unrestricted	43,866,188	41,603,905	40,242,369
Total Net Position	$45,044,899	$42,569,583	$41,238,189

The net pension liability (NPL) and the net opeb liability (NOL) reported by NOPEC at December 31, 2020, and December 31, 2019, are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the NOPEC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles.

Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the NOPEC's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, NOPEC is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

There is no related debt to the Capital Assets. Capital Assets were $1,178,711 and $965,678 at December 31, 2020 and 2019, respectively. The Capital Assets are used to provide services to residential and small commercial consumers in member communities.

As mentioned previously, net position of governmental activities increased $2,475,316 or 5.8% for 2020 and increased $1,331,394 or 3.2% for 2019. The increase in 2020 and 2019 are due mainly to continuing operations.

Table 2 reflects the changes in net position in 2020, 2019 and 2018:

Table 2 - Changes in Net Position

	For the Years Ended December 31		
	2020	2019	2018
Revenues			
Program Revenues:			
Charges for Services	$16,716,584	$13,413,860	$16,893,516
Total Program Revenues	$16,716,584	$13,413,860	$16,893,516
General Revenues:			
Interest	1,258,547	976,423	719,132
Total General Revenues	1,258,547	976,423	719,132
Total Revenues	17,975,131	14,390,283	17,612,648
Program Expenses:			
General Government	15,499,815	13,058,889	22,439,542
Total Program Expenses	15,499,815	13,058,889	22,439,542
Increase (Decrease) in Net Position	2,475,316	1,331,394	(4,826,894)
Net Position, January 1	42,569,583	41,238,189	46,065,083
Net Position, December 31	$45,044,899	$42,569,583	$41,238,189

The most significant portion of NOPEC's total revenues are charges for services - management fees. Management fees represent supplier agreements and acquisition costs related to entering new gas and electric contracts.

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

Governmental Activities

NOPEC is an Ohio regional council of governments established under Chapter 167 of the Ohio Revised Code, comprised of approximately 240 Ohio political subdivision member communities. NOPEC is governed by representatives of each member community.

NOPEC's Funds

Total governmental funds had revenues of $17,975,131 and expenditures of $15,084,293 for the year ended December 31, 2020; and revenues of $14,390,283 and expenditures of $12,405,195 for the year ended December 31, 2019. The fund balance of the General Fund increased $2,890,838 in 2020 and increased $1,985,088 in 2019. Expenses increased in 2020 due to an increase in grants to NOPEC, Inc.

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 2020 and 2019.

Capital Assets

At the end of fiscal year 2020, NOPEC had $1,178,711 (net of accumulated depreciation) invested in land, construction in progress, office condominium buildings, and machinery and equipment. The following table shows fiscal 2020 balances compared to 2019 and 2018.

Capital Assets at December 31
(net of depreciation)

	Governmental Activities		
	2020	2019	2018
Land	$ 200,400	$ -	$ -
Construction in Progress	210,940	-	-
Building	717,077	877,765	897,877
Machinery and Equipment	50,294	87,913	97,943
	$ 1,178,711	$ 965,678	$ 995,820

Current Issues

NOPEC uses the size of its membership to negotiate favorable energy pricing, terms of service, and member benefits for its member communities and customers. There is considerable retail energy competition in the Ohio energy market in which NOPEC provides service.

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, 2020 and 2019

	Governmental Activities 2020	Governmental Activities 2019
Assets		
Equity in Pooled Cash and Cash Equivalents	$42,807,507	$37,686,277
Accounts Receivable	2,345,292	4,454,288
Accrued Interest Receivable	81,101	129,296
Prepaid Expenses	160,014	32,606
Note Receivable - PACE	1,553,231	1,869,764
Capital Assets, Net	1,178,711	965,678
Total Assets	48,125,856	45,137,909
Deferred Outflow of Resources		
Pension	404,349	786,457
OPEB	593,100	283,590
Total Deferred Outflow of Resources	997,449	1,070,047
Liabilities		
Accounts Payable and Accrued Expenses	127,334	208,015
Unearned Revenue	-	35,243
Net Pension Liability	1,699,058	2,167,210
Net OPEB Liability	1,655,854	1,196,203
Total Liabilities	3,482,246	3,606,671
Deferred Inflow of Resources		
Pension	360,408	28,456
OPEB	235,752	3,246
Total Deferred Inflow of Resources	596,160	31,702
Net Position		
Investment in Capital Assets	1,178,711	965,678
Unrestricted	43,866,188	41,603,905
Total Net Position	$45,044,899	$42,569,583

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Statement of Activities
For the Year Ended December 31, 2020

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government	$15,499,815	$16,716,584	$1,216,769
Total Government Activities	$15,499,815	$16,716,584	1,216,769
General Revenues			
Interest income			1,258,547
Total General Revenues			1,258,547
Change in Net Position			2,475,316
Net Position - Beginning of Year			42,569,583
Net Position - End of Year			$45,044,899

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government	$13,058,889	$13,413,860	$354,971
Total Government Activities	$13,058,889	$13,413,860	354,971
General Revenues			
Interest and other income			976,423
Total General Revenues			976,423
Change in Net Position			1,331,394
Net Position - Beginning of Year			41,238,189
Net Position - End of Year			$42,569,583

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Balance Sheet
General Fund
December 31, 2020 and 2019

	2020	2019
Assets:		
Equity in Pooled Cash and Cash Equivalents	$42,807,507	$37,686,277
Accounts Receivable	2,345,292	4,454,288
Accrued Interest Receivable	81,101	129,296
Prepaid Expenses	160,014	32,606
Note Receivable - PACE	1,553,231	1,869,764
Total Assets	$46,947,145	$44,172,231
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Expenses	$ 127,334	$ 208,015
Unearned Revenue	-	35,243
Total Liabilities	127,334	243,258
Fund Balances:		
Nonspendable	1,713,245	1,902,370
Unassigned	45,106,566	42,026,603
Total Fund Balances	46,819,811	43,928,973
Total Liabilities and Fund Balances	$46,947,145	$44,172,231

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, 2020 and 2019

	2020	2019
Total Governmental Fund Balances	$46,819,811	$43,928,973
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
The net pension liability and net OPEB liability are not due and payable in the current period, therefore the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflow of Resources - Pension	404,349	786,457
Deferred Outflow of Resources - OPEB	593,100	283,590
Deferred Inflow of Resources - Pension	(360,408)	(28,456)
Deferred Inflow of Resources - OPEB	(235,752)	(3,246)
Net Pension Liability	(1,699,058)	(2,167,210)
Net OPEB Liability	(1,655,854)	(1,196,203)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds:	1,178,711	965,678
Net Position of Governmental Activities	$45,044,899	$42,569,583

See accompanying notes to the basic financial statements

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balances – General Fund
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Management Fees	$16,716,584	$13,413,860
Interest	1,258,547	976,423
Total Revenues	17,975,131	14,390,283
Expenses:		
Current:		
Commercial Programs	50,024	54,079
Communication and Consulting Services	231,936	283,129
Community Sponsorships	263,313	303,550
Legal Fees	1,188,521	827,864
Information Tech and Support	80,036	55,486
Professional/Audit/Investment Fees	44,257	93,036
Support for CRES	8,700,000	6,500,000
Marketing and Support Services	1,755,623	1,610,136
Sales Support	62,146	55,995
Office and Other General Administrative	232,974	235,170
Salaries and Benefits	2,191,659	2,220,682
Capital Outlay	246,240	22,347
Meetings/Travel	37,564	143,721
Total Expenditures	15,084,293	12,405,195
Excess of Revenues Over Expenditures	2,890,838	1,985,088
Fund Balance, Beginning of Year	43,928,973	41,943,885
Fund Balance, End of Year	$46,819,811	$43,928,973

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, 2020 and 2019

	2020	2019
Net Change in Fund Balances - Total Governmental Funds	$2,890,838	$1,985,088
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.		
Pension	174,291	169,320
OPEB	28,198	24,067
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(420,199)	(617,252)
OPEB	(410,845)	(199,687)
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	246,240	22,347
Depreciation	(25,490)	(52,489)
In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.	(7,717)	-
Change in Net Position of Governmental Activities	$2,475,316	$1,331,394

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 established under Chapter 167 of the Ohio Revised Code. It consists of approximately 240 member communities (including municipal corporations, townships, counties, and regional council of governments, all of which are political subdivisions of the State of Ohio) from nineteen Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county elect one person to serve on the nine-member NOPEC Board of Directors. NOPEC, established under Ohio Revised Code Chapter 167, in 2000, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas. NOPEC seeks to provide electricity and natural gas at the lowest possible rates while also ensuring stability in prices by pursuing long-term contracts with suppliers.

Reporting Entity: In evaluating how to define the governmental reporting entity, NOPEC complies with the provisions of GASB Statement No. 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 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 Presentation

NOPEC'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 NOPEC as a whole. These statements include all the financial activities of NOPEC.

The Statement of Net Position presents the financial condition of the governmental activities of NOPEC at December 31, 2020 and 2019. The Statement of Activities presents 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

B. 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.

<u>Governmental Funds</u>

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:

<u>General Fund</u> - The general fund accounts for all financial resources.

C. Measurement Focus and Basis of Accounting

<u>Government-wide Financial Statements</u>

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 NOPEC are included on the Statement of Net Position.

<u>Fund Financial Statements</u>

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. NOPEC 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

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

E. Cash and Investments

NOPEC invests in a variety of federal government securities through a separate investment account managed by several investment firms. Investments in these securities are valued at historical cost, plus interest posted, which is the amount the investments could be sold for on December 31, 2020 and 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Capital assets are capitalized at cost using a threshold of $10,000 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.

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 NOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

NOPEC measures for the accrual for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2020, and 2019, NOPEC employees did not have any significant carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOPEC 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. NOPEC does not have any restricted, committed or assigned fund balances at December 31, 2020 and December 31, 2019.

L. Pensions

For purposes of measuring the net pension/OPEB liability, 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 NOPEC, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the 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 NOPEC, 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.

NOTE 3 REVENUES AND UNEARNED 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 2020 and 2019, NOPEC’s administrative fees were based on the number and the respective utility consumption by its customers. Accounts receivable consist of billed but unpaid administrative fees.

NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK

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

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

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

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

Interim monies may be deposited or invested in the following:

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

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

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

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

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

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

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

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

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

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

1. Bonds of the State of Ohio.

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

3. Obligations of NOPEC.

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

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

Deposits

The carrying amount of NOPEC's deposits totaled $7,713,117 and $3,752,259 and the bank balances totaled $7,714,725 and $4,051,890, as of December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, $250,000 and $250,000 of NOPEC's bank balances, respectively were insured by FDIC and $7,464,725 and $3,801,890, respectively, were uninsured 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 State statute. Ohio law requires that deposits be either insured or be protected by:

1. Eligible securities pledged to and deposited either with NOPEC or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. NOPEC's financial institution had enrolled in OPCS as of December 31, 2020.

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

Investments

As of December 31, 2020, and 2019, NOPEC had the following investments and maturities:

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2020 Measurement Value	Investment Maturity (in years) <1	1-3	3-5
Money Market Funds	Aaa-mf	N/A	$ 1,308	$ 1,308	$ -	$ -
Certificate of Deposits	N/A	2	12,378,294	3,733,932	6,534,845	2,109,517
U.S. Government Agency Obligations	Aaa	2	17,558,053	3,050,848	4,655,440	9,851,765
U.S. Treasury Bills	Aaa	2	1,954,240	1,954,240	-	-
U.S. Treasury Notes / Bonds	Aaa	2	3,202,495	1,040,619	2,161,876	-
Total Investments			$ 35,094,390	$ 9,780,947	$ 13,352,161	$ 11,961,282

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2019 Measurement Value	Investment Maturity (in years) <1 year	1-3	3-5
Money Market Funds	Aaa-mf	N/A	$ 219,380	$ 219,380	$ -	$ -
Certificate of Deposits	N/A	2	4,743,772	1,485,596	1,245,872	2,012,304
U.S. Government Agency Obligations	Aaa	2	24,385,536	8,003,896	5,078,458	11,303,182
U.S. Treasury Notes / Bonds	Aaa	2	4,585,330	2,296,565	1,793,745	495,020
Total Investments			$ 33,934,018	$ 12,005,437	$ 8,118,075	$ 13,810,506

NOPEC's investment in money market funds are measured at net asset value per share, while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. NOPEC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The previous tables identify NOPEC's fair value measurements as of December 31, 2020, and 2019. NOPEC's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

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: NOPEC's investment credit ratings are summarized above. NOPEC's investments in certificates of deposit were fully insured by federal deposit insurance.

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

	Balance 1/1/2020	Additions	Transfers	Disposals	Balance 12/31/2020
Governmental Activities					
Capital Assets, Not being Depreciated:					
Land	$ -	$ 35,300	$ 165,100	$ -	$ 200,400
Construction in Progress	-	210,940	-	-	210,940
Total Capital Assets, Not being Depreciated	-	246,240	165,100	-	411,340
Capital Assets, being Depreciated:					
Buildings	1,005,677	-	(165,100)	-	840,577
Machinery and Equipment	307,791	-	-	(28,643)	279,148
Total Capital Assets Being Depreciated	1,313,468	-	(165,100)	(28,643)	1,119,725
Less Accumulated Depreciation:					
Buildings	(127,912)	(16,812)	21,224	-	(123,500)
Machinery and Equipment	(219,878)	(29,902)	-	20,926	(228,854)
Total Accumulated Depreciation	(347,790)	(46,714)	21,224	20,926	(352,354)
Total Capital Assets, being Depreciated, Net	965,678	(46,714)	(143,876)	(7,717)	767,371
Governmental Activities Capital Assets, Net	$ 965,678	$ 199,526	$ 21,224	$ (7,717)	$ 1,178,711

	Balance 1/1/2019	Additions	Transfers	Disposals	Balance 12/31/2019
Governmental Activities					
Capital Assets, being Depreciated:					
Buildings	$ 1,005,677	$ -	$ -	$ -	$ 1,005,677
Machinery and Equipment	285,444	22,347	-	-	307,791
Total Capital Assets Being Depreciated	1,291,121	22,347	-	-	1,313,468
Less Accumulated Depreciation:					
Buildings	(107,800)	(20,112)	-	-	(127,912)
Machinery and Equipment	(187,501)	(32,377)	-	-	(219,878)
Total Accumulated Depreciation	(295,301)	(52,489)	-	-	(347,790)
Total Capital Assets, being Depreciated, Net	995,820	(30,142)	-	-	965,678
Governmental Activities Capital Assets, Net	$ 995,820	$ (30,142)	$ -	$ -	$ 965,678

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

NOTE 6 DEFINED BENEFIT PENSION PLANS

Net Pension Liability - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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*. Any liability for the contractually required pension contribution outstanding at the end of the year is included in *accounts payable and accrued expenses*.

Plan Description

NOPEC 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. NOPEC 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.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A 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 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 62 with 60 months of service credit or Age 57 with 25 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 traditional plan 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.

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.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

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
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NOPEC's contractually required contributions was $174,291 for fiscal year ending December 31, 2020, and $169,320 for fiscal year ending December 31, 2019.

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, 2019, and December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of those dates. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2020	2019
Proportion of the Net Pension Liability Prior Measurement Date	0.007913%	0.006993%
Proportion of the Net Pension Liability Current Measurement Date	0.008596%	0.007913%
Change in Proportionate Share	0.000683%	0.000920%
Proportionate Share of the Net Pension Liability	$1,699,058	$2,167,210
Pension Expense	$420,199	$617,252

At December 31, 2020, and December 31, 2019, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2020	2019
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ -	$ 294,150
Differences between expected and actual experience	-	99
Changes of assumptions	90,749	188,659
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	139,309	134,229
NOPEC contributions subsequent to the measurement date	174,291	169,320
Total Deferred Outflows of Resources	$ 404,349	$ 786,457
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ 338,925	$ -
Differences between expected and actual experience	21,483	28,456
Total Deferred Inflows of Resources	$ 360,408	$ 28,456

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

$174,291 reported deferred outflows of resources related to pension resulting from NOPEC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	$67,598
2021	(77,407)
2022	14,034
2023	(134,575)
Total	($130,350)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a loss of 17.2 and 2.94 percent for 2019 and 2018, respectively.

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 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.86 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.2 percent for 2019 and 2018, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of NOPEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents NOPEC's proportionate share of the net pension liability calculated using the current period discount rate assumption, 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 or one-percentage-point higher than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
NOPEC's proportionate share of the net pension liability at December 31, 2020	$2,802,296	$1,699,058	$707,279

Changes Between Measurement Date and Report Date

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

NOTE 7 DEFINED BENEFIT OPEB PLANS

Net OPEB Liability – Ohio Public Employees Retirement System

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

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

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/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.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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 2020, 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 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 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. NOPEC's contractually required contributions for 2020 and 2019 were $28,198 and $24,067 respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NOPEC's proportion of the net OPEB liability was based on NOPEC's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2020	2019
Proportion of the Net OPEB Liability Prior Measurement Date	0.009175%	0.007220%
Proportion of the Net OPEB Liability Current Measurement Date	0.011988%	0.009175%
Change in Proportionate Share	0.002813%	0.001955%
Proportionate Share of the Net OPEB Liability	$1,655,854	$1,196,203
OPEB Expense	$410,845	$199,687

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, and December 31, 2019, NOPEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2,020	2,019
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 54,838
Differences between expected and actual experience	44	405
Changes of assumptions	262,105	38,568
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	302,753	165,712
NOPEC contributions subsequent to the measurement date	28,198	24,067
Total Deferred Outflows of Resources	$ 593,100	$ 283,590
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$ 84,316	$ -
Differences between expected and actual experience	151,436	3,246
Total Deferred Inflows of Resources	$ 235,752	$ 3,246

$28,198 reported as deferred outflows of resources related to OPEB resulting from NOPEC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2021	$250,783
2022	114,329
2023	67
2024	(36,029)
Total	$329,150

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.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.25 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2019, 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 19.70 percent for 2019 and 5.60 percent for 2018.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate: A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 percent and a municipal bond rate of 3.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of NOPEC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the NOPEC's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the NOPEC's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
NOPEC's proportionate share of the net OPEB liability at December 31, 2020	$1,530,390	$1,655,854	$930,437

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NOPEC's proportionate share of the net OPEB liability at December 31, 2020	$1,606,991	$1,655,854	$1,704,094

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2020 and 2019, 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 2020 and 2019 totaling $8,700,000 and $6,500,000, respectively.

NOTE 10 PREPAID EXPENSES

Prepaid expenses consist primarily of short-term payroll related expenses and other subscriptions related to the following year.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Years (1)

Traditional Plan	2020	2019	2018	2017	2016	2015	2014
NOPEC's Proportion of the Net Pension Liability	0.008596%	0.007913%	0.006993%	0.006513%	0.005132%	0.004443%	0.004443%
NOPEC's Proportionate Share of the Net Pension Liability	$1,699,058	$2,167,210	$1,097,066	$1,478,992	$ 888,927	$ 535,875	$ 523,772
NOPEC's Covered Payroll	$1,209,429	$1,068,736	$ 924,131	$ 841,925	$ 638,675	$ 544,700	$ 484,354
NOPEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.78%	118.71%	175.67%	139.18%	98.38%	108.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC's Contributions - Pension
Ohio Public Employees Retirement System
Last Eight Years (1)

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 174,291	$ 169,320	$ 149,623	$120,137	$101,031	$ 76,641	$ 65,364	$ 62,966
Contributions in Relation to the Contractually Required Contribution	(174,291)	(169,320)	(149,623)	(120,137)	(101,031)	(76,641)	(65,364)	(62,966)
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NOPEC's Covered Payroll	$1,244,936	$1,209,429	$1,068,736	$924,131	$841,925	$638,675	$544,700	$484,354
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

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

	2020	2019	2018	2017
NOPEC's Proportion of the Net OPEB Liability	0.011988%	0.009175%	0.007220%	0.006740%
NOPEC's Proportionate Share of the Net OPEB Liability	$ 1,655,854	1,196,203	784,039	680,763
NOPEC's Covered Payroll	$ 1,811,104	$ 1,330,743	$ 1,022,674	$ 931,707
NOPEC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.43%	89.89%	76.67%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC's Contributions - OPEB
Ohio Public Employees Retirement System
Last Six Years (1)

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 28,198	$ 24,067	$ 10,480	$ 13,183	$ 20,430	$ 12,773
Contributions in Relation to the Contractually Required Contribution	(28,198)	(24,067)	(10,480)	(13,183)	(20,430)	(12,773)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
NOPEC Covered Payroll	$ 1,949,892	$ 1,811,104	$ 1,330,743	$ 1,022,674	$ 931,707 0	$ 727,074
Contributions as a Percentage of Covered Payroll	1.45%	1.33%	0.79%	1.29%	2.19%	1.76%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2020.

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.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2020.

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%.

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The management's discussion and analysis of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, (NOPEC's) financial performance provides an overall review of NOPEC's financial activities for the years ended December 31, 2019 and 2018. 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 2019 and 2018 are as follows:

- NOPEC is the largest public energy aggregation in the United States with over 225 member communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.
- NOPEC pension and OPEB liabilities increased to $3,363,413 and $1,881,105 for 2019 and 2018 due to the implementation of GASB 68 in 2015 and GASB 75.
- Net position increased by $1,331,394 or 3.2% for 2019 and decreased ($4,826,984) or 10.5% for 2018. The increase in 2019 is due mainly to continuing operations; and the decrease in 2018 is due mainly to a $9.2 million Customer Giveback and additional CRES support.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 93.2% and 95.9% of total revenues in 2019 and 2018, 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 Statement of Net Position and Statement 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.

Reporting NOPEC as a Whole
The Statement of Net Position and Statement of Activities reflect how NOPEC performed financially during 2019 and 2018. These statements include all *non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report NOPEC's *net position* and *changes in 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 Statement of Net Position and Statement of Activities, all activity of NOPEC is reported:

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

Reporting NOPEC's Most Significant Fund

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. Fund financial statements focus on the most significant funds. 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 on the following page provides a summary of NOPEC's net position for 2019 and 2018 compared to 2017:

Table 1 - Net Position

	As of December 31		
	2019	2018	2017
Assets			
Cash and Cash Equivalents	$37,686,277	$33,651,844	$41,441,134
Accounts, Interest and Note Receivable	6,453,348	11,327,819	5,974,985
Prepaid Expenses	32,606	24,433	19,045
Net Investment in Capital Assets	965,678	995,820	773,563
Total Assets	45,137,909	45,999,916	48,208,727
Deferred Outflow of Resources			
Pension	786,457	392,937	694,267
OPEB	283,590	102,206	13,183
Total Deferred Outflows of Resources	1,070,047	495,143	707,450
Liabilities			
Accounts Payable	208,015	3,060,211	243,678
Deferred Revenue	35,243	0	438,860
Net Pension Liability	2,167,210	1,097,066	1,478,992
Net OPEB Liability	1,196,203	784,039	680,764
Total Liabilities	3,606,671	4,941,316	2,842,294
Deferred Inflow of Resources			
Pension	28,456	257,148	8,801
OPEB	3,246	58,406	0
Total Deferred Inflows of Resources	31,702	315,554	8,801
Net Position			
Net Investment in Capital Assets	965,678	995,820	773,563
Unrestricted	41,603,905	40,242,369	45,291,520
Total Net Position	$42,569,583	$41,238,189	$46,065,083

The net pension liability (NPL) is the largest single liability reported by NOPEC at December 31, 2019, and December 31, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27." For fiscal year 2018, NOPEC adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of NOPEC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal NOPEC's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, NOPEC is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion.

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

There is no related debt to the Capital Assets. Capital Assets were $965,678 and $995,820 at December 31, 2019 and 2018, respectively. The Capital Assets are used to provide services to residential and small commercial consumers in member communities.

As mentioned previously, net position of governmental activities increased $1,331,394 or 3.2% for 2019 and decreased ($4,826,894) or 10.5% for 2018. The increase in 2019 is due mainly to continuing operations and the decrease in 2018 is due mainly to a $9.2 million Customer Giveback and additional CRES support.

Table 2 reflects the changes in net position in 2019, 2018 and 2017:

Table 2 - Changes in Net Position

	For the Years Ended December 31		
	2019	2018	2017
Revenues			
Program Revenues:			
Charges for Services	$13,413,860	$16,893,516	$10,188,068
Total Program Revenues	$13,413,860	$16,893,516	$10,188,068
General Revenues:			
Interest and Other	976,423	719,132	538,030
Total General Revenues	976,423	719,132	538,030
Total Revenues	14,390,283	17,612,648	10,726,098
Program Expenses:			
General Government	13,058,889	22,439,542	5,258,613
Total Program Expenses	13,058,889	22,439,542	5,258,613
Increase (Decrease) in Net Position	1,331,394	(4,826,894)	5,467,485
Net Position, January 1	41,238,189	46,065,083	40,597,598
Net Position, December 31	$42,569,583	$41,238,189	$46,065,083

The most significant portion of NOPEC's total revenues are charges for services - management fees. Management fees represent supplier agreements and acquisition costs related to entering new gas and electric contracts. Other revenues consist of interest earned, reimbursed expenses and office rental income.

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

Governmental Activities

NOPEC is a jointly governed organization comprised of 235 member communities.

NOPEC's Funds

Total governmental funds had revenues of $14,390,283 and expenditures of $12,405,195 for the year ended December 31, 2018; and revenues of $17,612,648 and expenditures of $22,421,390 for the year ended December 31, 2018. The fund balance of the General Fund increased $1,985,088 in 2019 and decreased $(4,808,742) in 2018. Expenses decreased in 2019 due to a one-time $9.2 million Customer Giveback in 2018, and a decrease in grants to NOPEC, Inc.

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 2019 and 2018.

Net Investment in Capital Assets

At the end of fiscal year 2019, NOPEC had $965,678 (net of accumulated depreciation) invested in four office condominium buildings and equipment. The following table shows fiscal 2019 balances compared to 2018 and 2017.

	Capital Assets at December 31 (net of depreciation) Governmental Activities		
	2019	2018	2017
Building	$877,765	$897,877	$700,938
Equipment	87,913	97,943	72,625
	$965,678	$995,820	$773,563

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, 2019 and 2018

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Equity in Pooled Cash and Cash Equivalents	$37,686,277	$33,651,844
Accounts Receivable	4,454,288	10,810,376
Accrued Interest Receivable	129,296	0
Prepaid Expenses	32,606	24,433
Note Receivable - PACE	1,869,764	517,443
Net Investment in Capital Assets	965,678	995,820
Total Assets	45,137,909	45,999,916
Deferred Outflow of Resources		
Pension	786,457	392,937
OPEB	283,590	102,206
Total Deferred Outflow of Resources	1,070,047	495,143
Liabilities		
Accounts Payable and Accrued Expenses	208,015	3,060,211
Deferred Revenue	35,243	0
Net Pension Liability	2,167,210	1,097,066
Net OPEB Liability	1,196,203	784,039
Total Liabilities	3,606,671	4,941,316
Deferred Inflow of Resources		
Pension	28,456	257,148
OPEB	3,246	58,406
Total Deferred Inflow of Resources	31,702	315,554
Net Position		
Net Investment in Capital Assets	965,678	995,820
Unrestricted	41,603,905	40,242,369
Total Net Position	$42,569,583	$41,238,189

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government	$13,058,889	$13,413,860	$354,971
Total Government Activities	$13,058,889	$13,413,860	354,971
General Revenues			
Interest and rental income			976,423
Total General Revenues			976,423
Change in Net Position			1,331,394
Net Position - Beginning of Year			41,238,189
Net Position - End of Year			$42,569,583

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

Statement of Activities
For the Year Ended December 31, 2018

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

See accompanying notes to the basic financial statements.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Balance Sheet
General Fund
December 31, 2019 and 2018

	2019	2018
Assets:		
Equity in Pooled Cash and Cash Equivalents	$37,686,277	$33,651,844
Accounts Receivable	4,454,288	10,810,376
Accrued Interest Receivable	129,296	0
Prepaid Expenses	32,606	24,433
Note Receivable - PACE	1,869,764	517,443
Total Assets	$44,172,231	$45,004,096
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Expenses	$208,015	$3,060,211
Deferred Revenue	35,243	0
Total Liabilities	243,258	3,060,211
Fund Balances:		
Nonspendable	1,902,370	541,876
Unassigned	42,026,603	41,402,009
Total Fund Balances	43,928,973	41,943,885
Total Liabilities and Fund Balances	$44,172,231	$45,004,096

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, 2019 and 2018

	2019	2018
Total Governmental Fund Balances	$43,928,973	$41,943,885
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
The net pension liability and net OPEB liability are not due and payable in the current period, therefore the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflow of Resources - Pension	786,457	392,937
Deferred Outflow of Resources - OPEB	283,590	102,206
Deferred Inflow of Resources - Pension	(28,456)	(257,148)
Deferred Inflow of Resources - OPEB	(3,246)	(58,406)
Net Pension Liability	(2,167,210)	(1,097,066)
Net OPEB Liability	(1,196,203)	(784,039)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds:	965,678	995,820
Net Position of Governmental Activities	$42,569,583	$41,238,189

See accompanying notes to the basic financial statements

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Statement of Revenues, Expenditures, and
Changes in Fund Balances – General Fund
For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Management Fees	$13,413,860	$16,893,516
Interest and Other	976,423	719,132
Total Revenues	14,390,283	17,612,648
Expenses:		
Current:		
Commercial Programs	54,079	126,002
Communication Services	71,185	61,280
Community Sponsorships	303,550	234,250
Legal Fees	827,864	908,869
Information Tech and Support	55,486	52,978
Professional/Audit/Investment Fees	93,036	48,351
Consulting/Database and Strategic Planning	211,944	113,464
Support for CRES	6,500,000	7,300,000
Marketing and Support Services	1,610,136	1,806,249
Sales Support	55,995	151,040
Office and Other General Administrative	235,170	251,890
Salaries and Benefits	2,220,682	1,788,005
Customer Giveback!	0	9,200,000
Capital Outlay	22,347	279,838
Meetings/Travel	143,721	99,174
Total Expenditures	12,405,195	22,421,390
Excess of Revenues Over (Under) Expenditures	1,985,088	(4,808,742)
Fund Balance, Beginning of Year	41,943,885	46,752,627
Fund Balance, End of Year	$43,928,973	$41,943,885

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, 2019 and 2018

	2019	2018
Net Change in Fund Balances - Total Governmental Funds	$1,985,088	($4,808,742)
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.		
Pension	169,320	149,623
OPEB	24,067	10,480
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(617,252)	(317,373)
OPEB	(199,687)	(83,139)
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	22,347	279,838
Depreciation	(52,489)	(57,581)
Change in Net Position of Governmental Activities	$1,331,394	($4,826,894)

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

Reporting Entity: In evaluating how to define the governmental reporting entity, NOPEC complies with the provisions of GASB Statement No. 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 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 Presentation

NOPEC'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 NOPEC as a whole. These statements include all the financial activities of NOPEC.

The Statement of Net Position presents the financial condition of the governmental activities of NOPEC at December 31, 2019 and 2018. The Statement of Activities presents 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

B. 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.

<u>Governmental Funds</u>

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:

<u>General Fund</u> - The general fund accounts for all financial resources.

C. Measurement Focus and Basis of Accounting

<u>Government-wide Financial Statements</u>

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 NOPEC are included on the Statement of Net Position.

<u>Fund Financial Statements</u>

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. NOPEC 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

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

E. Cash and Investments

NOPEC invests in a variety of federal government securities through a separate investment account managed by several investment firms. Investments in these securities are valued at historical cost, plus interest posted, which is the amount the investments could be sold for on December 31, 2019 and 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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 NOPEC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

NOPEC measures for the accrual for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2019, and 2018, NOPEC employees did not have any significant carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOPEC 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.

L. Pensions

For purposes of measuring the net pension/OPEB liability, 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 NOPEC, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the 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 NOPEC, 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.

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 2019 and 2018, 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.

NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK

State statutes classify monies held by NOPEC into three categories:

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

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

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

Interim monies may be deposited or invested in the following:

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

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

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

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

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

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

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

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

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 NOPEC and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The carrying amount of NOPEC's deposits totaled $3,752,259 and $380,823 and the bank balances totaled $4,051,890 and $398,895, as of December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, $250,000 and $250,000 of NOPEC's bank balances, respectively were insured by FDIC and $3,801,890 and $148,895, respectively, were uninsured 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 State statute. Ohio law requires that deposits be either insured or be protected by:

1. Eligible securities pledged to and deposited either with NOPEC or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. NOPEC's financial institution had enrolled in OPCS as of December 31, 2019.

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

Investments

As of December 31, 2019, and 2018, NOPEC had the following investments and maturities:

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2019 Measurement Value	Investment Maturity (in years) <1	1-3	3-5
Money Market Funds	Aaa-mf	N/A	$219,380	$219,380	$0	$0
Certificate of Deposits	N/A	2	4,743,772	1,485,596	1,245,872	2,012,304
U.S. Government Agency Obligations	Aaa	2	24,385,536	8,003,896	5,078,458	11,303,182
U.S. Treasury Notes / Bonds	Aaa	2	4,585,330	2,296,565	1,793,745	495,020
Total Investments			$33,934,018	$12,005,437	$8,118,075	$13,810,506

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2018 Measurement Value	Investment Maturity (in years) <1 year	1-3	3-5
Money Market Funds	Aaa-mf	N/A	$29,698	$29,698	$0	$0
Certificate of Deposits	N/A	2	4,103,524	2,128,000	1,481,506	494,018
U.S. Government Agency Obligations	Aaa	2	26,406,535	8,919,700	11,353,237	6,133,598
U.S. Treasury Notes / Bonds	Aaa	2	2,731,264	2,731,264	0	0
Total Investments			$33,271,021	$13,808,662	$12,834,743	$6,627,616

NOPEC's investment in money market funds are measured at net asset value per share, while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. NOPEC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The previous tables identify NOPEC's fair value measurements as of December 31, 2019, and 2018. NOPEC's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

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: NOPEC's investment credit ratings are summarized above. NOPEC's investments in certificates of deposit were fully insured by federal deposit insurance.

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance 1/1/2019	Additions	Disposals	Balance 12/31/2019
Governmental Activities				
Capital Assets, being Depreciated:				
Buildings	$ 1,005,677	$ -	$ -	$ 1,005,677
Machinery and Equipment	285,444	22,347	-	307,791
Total Capital Assets Being Depreciated	1,291,121	22,347	-	1,313,468
Less Accumulated Depreciation:				
Buildings	(107,800)	(20,112)	-	(127,912)
Machinery and Equipment	(187,501)	(32,377)	-	(219,878)
Total Accumulated Depreciation	(295,301)	(52,489)	-	(347,790)
Total Capital Assets, being Depreciated, Net	995,820	(30,142)	-	965,678
Governmental Activities Capital Assets, Net	$ 995,820	$ (30,142)	$ -	$ 965,678

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

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

NOTE 6 DEFINED BENEFIT PENSION PLANS

Net Pension Liability - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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*. Any liability for the contractually required pension contribution outstanding at the end of the year is included in *accounts payable and accrued expenses*.

Plan Description

NOPEC 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. NOPEC 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.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A 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 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 62 with 60 months of service credit or Age 57 with 25 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 traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

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
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NOPEC's contractually required contributions was $169,320 for fiscal year ending December 31, 2019, and $149,623 for fiscal year ending December 31, 2018.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

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, 2018, and December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of those dates. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2019	2018
Proportion of the Net Pension Liability Prior Measurement Date	0.006993%	0.006513%
Proportion of the Net Pension Liability Current Measurement Date	0.007913%	0.006993%
Change in Proportionate Share	0.000920%	0.000480%
Proportionate Share of the Net Pension Liability	$2,167,210	$1,097,066
Pension Expense	$617,252	$317,374

At December 31, 2019, and December 31, 2018, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2019	2018
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$294,150	$0
Differences between expected and actual experience	99	1,120
Changes of assumptions	188,659	131,107
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	134,229	111,087
NOPEC contributions subsequent to the measurement date	169,320	149,623
Total Deferred Outflows of Resources	$786,457	$392,937
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$0	$235,527
Differences between expected and actual experience	28,456	21,621
Total Deferred Inflows of Resources	$28,456	$257,148

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

$169,320 reported deferred outflows of resources related to pension resulting from NOPEC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	$280,156
2021	144,436
2022	27,287
2023	136,802
Total	$588,681

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a loss of 2.94 percent for 2018 and a gain of 16.82 percent for 2017.

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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.2 percent for 2018, and 7.5 percent for 2017, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of NOPEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents NOPEC's proportionate share of the net pension liability calculated using the current period discount rate assumption, 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 or one-percentage-point higher than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
NOPEC's proportionate share of the net pension liability at December 31, 2019	$3,201,600	$2,167,210	$1,307,623

NOTE 7 DEFINED BENEFIT OPEB PLANS

Net OPEB Liability – Ohio Public Employees Retirement System

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

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

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

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/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.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. 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 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. NOPEC's contractually required contributions for 2019 and 2018 were $24,067 and $10,480 respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. NOPEC's proportion of the net OPEB liability was based on NOPEC's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2019	2018
Proportion of the Net OPEB Liability Prior Measurement Date	0.007220%	0.006740%
Proportion of the Net OPEB Liability Current Measurement Date	0.009175%	0.007220%
Change in Proportionate Share	0.001955%	0.000480%
Proportionate Share of the Net OPEB Liability	$1,196,203	$784,039
OPEB Expense	$199,687	$83,139

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, and December 31, 2018, NOPEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	2018
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$54,838	$0
Differences between expected and actual experience	405	611
Changes of assumptions	38,568	57,086
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	165,712	34,029
NOPEC contributions subsequent to the measurement date	24,067	10,480
Total Deferred Outflows of Resources	$283,590	$102,206
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$0	$58,406
Differences between expected and actual experience	3,246	0
Total Deferred Inflows of Resources	$3,246	$58,406

$24,067 reported as deferred outflows of resources related to OPEB resulting from NOPEC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2020	$132,010
2021	85,387
2022	11,254
2023	27,626
Total	$256,277

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.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2018, 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 5.60 percent for 2018 and 15.20 percent for 2017.

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate: A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of NOPEC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following table presents NOPEC's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what NOPEC's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
NOPEC's proportionate share of the net OPEB liability at December 31, 2019	$1,530,390	$1,196,203	$930,437

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
NOPEC's proportionate share of the net OPEB liability at December 31, 2019	$1,149,811	$1,196,203	$1,249,635

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2019 and 2018, 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 2019 and 2018 totaling $6,500,000 and $7,300,000, respectively and had accounts payable to NOPEC, Inc. of $2,900,000 at December 31, 2018.

NOTE 10 PREPAID EXPENSES

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

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

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

Traditional Plan	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
NOPEC's Proportion of the Net Pension Liability	0.007913%	0.006993%	0.006513%	0.005132%	0.004443%	0.004443%
NOPEC's Proportionate Share of the Net Pension Liability	$2,167,210	$1,097,066	$1,478,992	$888,927	$535,875	$523,772
NOPEC's Covered Payroll	$1,068,736	$924,131	$841,925	$638,675	$544,700	$484,354
NOPEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.78%	118.71%	175.67%	139.18%	98.38%	108.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC's Contributions - Pension
Ohio Public Employees Retirement System
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$169,320	$149,623	$120,137	$101,031	$76,641	$65,364	$62,966
Contributions in Relation to the Contractually Required Contribution	($169,320)	($149,623)	($120,137)	($101,031)	($76,641)	($65,364)	($62,966)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0
NOPEC's Covered Payroll	$1,209,429	$1,068,736	$924,131	$841,925	$638,675	$544,700	$484,354
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
Required Supplementary Information
Schedule of NOPEC's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three Years (1)

	2019	2018	2017
NOPEC's Proportion of the Net OPEB Liability	0.009175%	0.007220%	0.006740%
NOPEC's Proportionate Share of the Net OPEB Liability	$1,196,203	$784,039	$680,763
NOPEC's Covered Payroll	$1,330,743	$1,022,674	$931,707
NOPEC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.67%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY

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

	2019	2018	2017	2016	2015
Contractually Required Contribution	$24,067	$10,480	$13,183	$20,430	$12,773
Contributions in Relation to the Contractually Required Contribution	($24,067)	($10,480)	($13,183)	($20,430)	($12,773)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
NOPEC Covered Payroll	$1,811,104	$1,330,743	$1,022,674	$931,707	$727,074
Contributions as a Percentage of Covered Payroll	1.33%	0.79%	1.29%	2.19%	1.76%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

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%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018. 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%.

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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, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 23, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Council.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2021

OHIO AUDITOR OF STATE
KEITH FABER

NORTHEAST OHIO PUBLIC ENERGY COUNCIL

CUYAHOGA 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 10/12/2021

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