



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
DECEMBER 31, 2022, 2021 AND 2020**

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY
DECEMBER 31, 2022, 2021 AND 2020**

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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio as of December 31, 2022, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Efficient • Effective • Transparent

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2023, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2023

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2022 and 2021
(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, 2022 and 2021. 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 2022 and 2021 are as follows:

- NOPEC is the largest public energy aggregation in Ohio with nearly 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 in NOPEC's pension and OPEB liabilities/assets are due to change in NOPEC's proportionate share of pension and OPEB liabilities/assets.
- Net position increased by \$2,231,420 or 4.5% for 2022 and increased \$4,196,740 or 9.3% for 2021. The increases in 2022 and 2021 are due mainly to continuing operations.

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 2022 and 2021. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2022 and 2021
(UNAUDITED)*

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 2022 and 2021 compared to 2020:

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2022 and 2021
(UNAUDITED)*

Table 1 - Net Position

	As of December 31,		
	2022	2021	2020
Assets			
Cash and Cash Equivalents	\$48,713,727	\$46,989,041	\$42,807,507
Accounts, Interest and Note Receivable	3,698,094	3,384,733	3,979,624
Prepaid Expenses	185,318	179,805	160,014
Deposits	184,209	164,956	-
Capital Assets, Net	1,474,350	1,455,357	1,178,711
Net OPEB Asset	432,613	229,699	-
Total Assets	54,688,311	52,403,591	48,125,856
Deferred Outflow of Resources			
Pension	480,562	262,377	404,349
OPEB	96,207	329,056	593,100
Total Deferred Outflows of Resources	576,769	591,433	997,449
Liabilities			
Accounts Payable and Accrued Expenses	1,470,144	1,154,529	127,334
Unearned Revenue	8,618	23,260	-
Net Pension Liability	843,939	1,308,863	1,699,058
Net OPEB Liability	-	-	1,655,854
Total Liabilities	2,322,701	2,486,652	3,482,246
Deferred Inflow of Resources			
Pension	1,022,345	564,909	360,408
OPEB	446,975	701,824	235,752
Total Deferred Inflows of Resources	1,469,320	1,266,733	596,160
Net Position			
Investment in Capital Assets	1,474,350	1,455,357	1,178,711
Unrestricted	49,998,709	47,786,282	43,866,188
Total Net Position	\$51,473,059	\$49,241,639	\$45,044,899

The net pension liability (NPL) and net OPEB asset are reported by NOPEC at December 31, 2022, and December 31, 2021, 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 and net OPEB asset.

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.

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CUYAHOGA COUNTY**

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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/asset 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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*Management's Discussion and Analysis
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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/asset, respectively, not accounted for as deferred inflows/outflows.

There is no related debt to the Capital Assets. Capital Assets were \$1,474,350 and \$1,455,357 at December 31, 2022 and 2021, respectively. The Capital Assets are used to provide services to residential and small commercial consumers in member communities.

The changes in Net OPEB Asset, Net Pension and OPEB Liability, and the Deferred Inflows and Outflows of Resources are attributed to the recording of GASB Statements No. 68 and 75 as previously mentioned.

The increase in Deposits is due to an additional reserve deposit requirement for the Warren County Port Authority Special Obligation Revenue Bonds, Series 2021E issued in November 2021.

The increase in Accounts Payable and Accrued Expenses is due to the timing of certain year end payables and pending disbursements from a large PACE loan that closed at the end of December.

As mentioned previously, net position of governmental activities increased \$2,231,420 or 4.5% for 2022 and increased \$4,196,740 or 9.3% for 2021. The increase in 2022 and 2021 are due mainly to continuing operations. Table 2 reflects the changes in net position in 2022, 2021 and 2020:

Table 2 - Changes in Net Position

	For the Years Ended December 31		
	2022	2021	2020
Revenues			
Program Revenues:			
Charges for Services	\$17,312,896	\$15,720,276	\$16,716,584
General Revenues:			
Interest and other income	(1,173,737)	(130,223)	1,258,547
Total Revenues	16,139,159	15,590,053	17,975,131
Program Expenses:			
General Government	13,907,739	11,393,313	15,499,815
Total Program Expenses	13,907,739	11,393,313	15,499,815
Increase (Decrease) in Net Position	2,231,420	4,196,740	2,475,316
Net Position, January 1	49,241,639	45,044,899	42,569,583
Net Position, December 31	\$51,473,059	\$49,241,639	\$45,044,899

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2022 and 2021
(UNAUDITED)*

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. Charges for services decreased due to being an "off" year for the natural gas opt-in cycle. This is a two-year revenue cycle occurring in the "even" numbered years. Interest decreased due to general market conditions for fixed-interest instruments. The fair market value change attributed to the total negative interest and other income amount.

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 nearly 240 Ohio political subdivision member communities. NOPEC is governed by representatives of each member community.

NOPEC's Funds

Total governmental funds had revenues of \$16,139,159 and expenditures of \$14,377,319 for the year ended December 31, 2022; and revenues and other financing receipts of \$15,777,352 and expenditures of \$13,056,417 for the year ended December 31, 2021. The fund balance of the General Fund increased \$1,761,840 in 2022 and increased \$2,720,935 in 2021. Revenues increased mainly due to strong customer counts and retention in the first half of 2022, prior to returning the bulk of our electric customers to the Standard Service Offer (SSO) in the fourth quarter. Expenses increased due to an increase in the grant to Nopec Inc. and additional legal expenses that were incurred in 2022. This was partially offset by a reduction in overall marketing expense.

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 2022 and 2021.

Capital Assets

At the end of fiscal year 2022, NOPEC had \$1,474,350 (net of accumulated depreciation) invested in land, office condominium buildings, and machinery and equipment. The following table shows fiscal 2022 balances compared to 2021 and 2020.

Capital Assets at December 31 (net of depreciation) Governmental Activities			
	2022	2021	2020
Land	\$ 204,200	\$ 204,200	\$ 200,400
Construction in Progress	-	-	210,940
Building	1,184,514	1,210,559	717,077
Machinery and Equipment	85,636	40,598	50,294
	\$ 1,474,350	\$ 1,455,357	\$ 1,178,711

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2022 and 2021
(UNAUDITED)*

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, 2022 and 2021*

	Governmental Activities 2022	Governmental Activities 2021
Assets		
Equity in Pooled Cash and Cash Equivalents	\$48,713,727	\$46,989,041
Accounts Receivable	850,894	2,603,932
Accrued Interest Receivable	104,200	74,794
Prepaid Expenses	185,318	179,805
Note Receivable - PACE	2,743,000	706,007
Deposits	184,209	164,956
Capital Assets, Net	1,474,350	1,455,357
Net OPEB Asset	432,613	229,699
Total Assets	54,688,311	52,403,591
Deferred Outflow of Resources		
Pension	480,562	262,377
OPEB	96,207	329,056
Total Deferred Outflow of Resources	576,769	591,433
Liabilities		
Accounts Payable and Accrued Expenses	1,470,144	1,154,529
Unearned Revenue	8,618	23,260
Net Pension Liability	843,939	1,308,863
Total Liabilities	2,322,701	2,486,652
Deferred Inflow of Resources		
Pension	1,022,345	564,909
OPEB	446,975	701,824
Total Deferred Inflow of Resources	1,469,320	1,266,733
Net Position		
Investment in Capital Assets	1,474,350	1,455,357
Unrestricted	49,998,709	47,786,282
Total Net Position	\$51,473,059	\$49,241,639

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Statement of Activities
For the Year Ended December 31, 2022*

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government	\$13,907,739	\$17,312,896	\$3,405,157
<i>Total Government Activities</i>	\$13,907,739	\$17,312,896	3,405,157
General Revenues			
Interest income			(1,173,737)
<i>Total General Revenues</i>			(1,173,737)
Change in Net Position			2,231,420
<i>Net Position - Beginning of Year</i>			49,241,639
<i>Net Position - End of Year</i>			\$51,473,059

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Statement of Activities
For the Year Ended December 31, 2021*

	Expenses	Program Revenues Charges for Services	Net Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
General Government	\$11,393,313	\$15,720,276	\$4,326,963
<i>Total Government Activities</i>	\$11,393,313	\$15,720,276	4,326,963
General Revenues			
Interest and other income			(130,223)
<i>Total General Revenues</i>			(130,223)
Change in Net Position			4,196,740
<i>Net Position - Beginning of Year</i>			45,044,899
<i>Net Position - End of Year</i>			\$49,241,639

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Balance Sheet
General Fund*

December 31, 2022 and 2021

	2022	2021
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$48,713,727	\$46,989,041
Accounts Receivable	850,894	2,603,932
Accrued Interest Receivable	104,200	74,794
Prepaid Expenses	185,318	179,805
Note Receivable - PACE	2,743,000	706,007
Deposits	184,209	164,956
Total Assets	\$52,781,348	\$50,718,535
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,470,144	\$ 1,154,529
Unearned Revenue	8,618	23,260
Total Liabilities	1,478,762	1,177,789
 Fund Balances:		
Nonspendable	3,112,527	1,050,768
Unassigned	48,190,059	48,489,978
Total Fund Balances	51,302,586	49,540,746
Total Liabilities and Fund Balances	\$52,781,348	\$50,718,535

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, 2022 and 2021*

	2022	2021
Total Governmental Fund Balances	\$51,302,586	\$49,540,746
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
 The net pension liability and net OPEB liability are not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore the asset, liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflow of Resources - Pension	480,562	262,377
Deferred Outflow of Resources - OPEB	96,207	329,056
Deferred Inflow of Resources - Pension	(1,022,345)	(564,909)
Deferred Inflow of Resources - OPEB	(446,975)	(701,824)
Net Pension Liability	(843,939)	(1,308,863)
Net OPEB Asset	432,613	229,699
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds:	1,474,350	1,455,357
Net Position of Governmental Activities	\$51,473,059	\$49,241,639

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, 2022 and 2021*

	2022	2021
Revenues:		
Management Fees	\$17,312,896	\$15,720,276
Interest	(1,255,532)	(183,242)
Miscellaneous	81,795	40,318
Total Revenues	16,139,159	15,577,352
Expenses:		
Current:		
Commercial Programs	174,647	439,355
Communication and Consulting Services	382,847	241,487
Community Sponsorships	302,750	283,038
Legal Fees	1,427,865	667,365
Information Tech and Support	92,591	91,327
Professional/Audit/Investment Fees	55,794	75,785
Support for CRES	7,670,200	6,200,000
Marketing and Support Services	1,227,969	1,724,113
Sales Support	74,098	56,983
Office and Other General Administrative	258,572	240,903
Salaries and Benefits	2,540,361	2,496,685
Capital Outlay	73,134	501,113
Meetings/Travel	96,491	38,263
Total Expenditures	14,377,319	13,056,417
Excess of Revenues Over Expenditures	1,761,840	2,520,935
Other Financing Receipts		
Gain on Sale of Asset	0	200,000
Excess of Revenues Over/(Under) Expenses	1,761,840	2,720,935
Fund Balance, Beginning of Year	49,540,746	46,819,811
Fund Balance, End of Year	\$51,302,586	\$49,540,746

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, 2022 and 2021*

	2022	2021
Net Change in Fund Balances - Total Governmental Funds	\$1,761,840	\$2,720,935
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	214,499	197,094
OPEB	29,207	29,838
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	11,174	(153,372)
OPEB	195,707	1,125,599
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	73,134	501,113
Depreciation	(54,141)	(39,422)
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.		
	-	(185,045)
Change in Net Position of Governmental Activities	\$2,231,420	\$4,196,740

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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 nearly 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, 2022 and 2021. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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.

Governmental Funds

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

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

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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, 2022 and 2021.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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, 2022, and 2021, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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, 2022 and December 31, 2021.

L. Pensions

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For 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 2022 and 2021, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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 \$15,488,402 and \$12,171,198 and the bank balances totaled \$15,493,895 and \$12,211,887, as of December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, \$250,000 and \$250,000 of NOPEC's bank balances, respectively were insured by FDIC and \$15,243,895 and \$11,961,887, 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, 2022.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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

Investments

As of December 31, 2022, and 2021, NOPEC had the following investments and maturities:

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2022 Measurement Value	Investment Maturity (in years)		
				<1	1-3	3-5
Money Market Funds	Aaa-mf	N/A	\$ 82,817	\$ 82,817	\$ -	\$ -
Certificate of Deposits	N/A	2	5,407,973	2,753,251	1,922,557	732,165
U.S. Government Agency Obligations	Aaa	2	17,653,292	1,944,070	11,044,417	4,664,805
U.S. Treasury Notes	Aaa	2	8,763,108	3,584,403	1,475,825	3,702,880
Municipal Bond	Aaa	2	1,318,135	-	250,632	1,067,503
Total Investments			\$ 33,225,325	\$ 8,364,541	\$ 14,693,431	\$ 10,167,353

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2021 Measurement Value	Investment Maturity (in years)		
				<1	1-3	3-5
Money Market Funds	Aaa-mf	N/A	\$ 40,674	\$ 40,674	\$ -	\$ -
Certificate of Deposits	N/A	2	8,996,342	3,891,637	4,859,726	244,979
U.S. Government Agency Obligations	Aaa	2	16,879,730	1,345,192	6,693,431	8,841,107
U.S. Treasury Notes	Aaa	2	7,479,978	776,437	3,260,068	3,443,473
Municipal Bond	Aaa	2	1,421,119	-	261,817	1,159,302
Total Investments			\$ 34,817,843	\$ 6,053,940	\$ 15,075,042	\$ 13,688,861

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, 2022, and 2021. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance 1/1/2022	Additions	Disposals	Balance 12/31/2022
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated:</i>				
Land	\$ 204,200	\$ -	\$ -	\$ 204,200
Construction in Progress	-	-	-	-
Total Capital Assets, Not being Depreciated	<u>204,200</u>	<u>-</u>	<u>-</u>	<u>204,200</u>
<i>Capital Assets, being Depreciated:</i>				
Buildings	1,302,256	-	-	1,302,256
Machinery and Equipment	289,493	73,134	-	362,627
Total Capital Assets Being Depreciated	<u>1,591,749</u>	<u>73,134</u>	<u>-</u>	<u>1,664,883</u>
Less Accumulated Depreciation:				
Buildings	(91,697)	(26,045)	-	(117,742)
Machinery and Equipment	(248,895)	(28,096)	-	(276,991)
Total Accumulated Depreciation	<u>(340,592)</u>	<u>(54,141)</u>	<u>-</u>	<u>(394,733)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>1,251,157</u>	<u>18,993</u>	<u>-</u>	<u>1,270,150</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,455,357</u>	<u>\$ 18,993</u>	<u>\$ -</u>	<u>\$ 1,474,350</u>
	Balance 1/1/2021	Additions	Disposals	Balance 12/31/2021
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated:</i>				
Land	\$ 200,400	\$ 35,300	\$ (31,500)	\$ 204,200
Construction in Progress	210,940	-	(210,940)	-
Total Capital Assets, Not being Depreciated	<u>411,340</u>	<u>35,300</u>	<u>(242,440)</u>	<u>204,200</u>
<i>Capital Assets, being Depreciated:</i>				
Buildings	840,577	666,408	(204,729)	1,302,256
Machinery and Equipment	279,148	10,345	-	289,493
Total Capital Assets Being Depreciated	<u>1,119,725</u>	<u>676,753</u>	<u>(204,729)</u>	<u>1,591,749</u>
Less Accumulated Depreciation:				
Buildings	(123,500)	(19,381)	51,184	(91,697)
Machinery and Equipment	(228,854)	(20,041)	-	(248,895)
Total Accumulated Depreciation	<u>(352,354)</u>	<u>(39,422)</u>	<u>51,184</u>	<u>(340,592)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>767,371</u>	<u>637,331</u>	<u>(153,545)</u>	<u>1,251,157</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,178,711</u>	<u>\$ 672,631</u>	<u>\$(395,985)</u>	<u>\$ 1,455,357</u>

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, 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.

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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 ACFR referenced above for additional information including requirements for reduced and unreduced benefits):

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. Cost-of-living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

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.

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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.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan will no longer be available for new hires beginning in 2022.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2022 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.

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Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2022 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Directed plan for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. NOPEC's contractually required contributions was \$214,499 for fiscal year ending December 31, 2022, and \$197,094 for fiscal year ending December 31, 2021.

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, 2021, and December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. NOPEC's proportion of the net pension liability was based on NOPEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2022	2021
Proportion of the Net Pension Liability Prior Measurement Date	0.008839%	0.008596%
Proportion of the Net Pension Liability Current Measurement Date	0.009700%	0.008839%
Change in Proportionate Share	0.000861%	0.000243%
Proportionate Share of the Net Pension Liability	\$843,939	\$1,308,863
Pension Expense	(\$11,174)	\$153,372

At December 31, 2022, and December 31, 2021, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2022	2021
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 43,023	\$ -
Changes of assumptions	105,534	-
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	117,506	65,283
NOPEC contributions subsequent to the measurement date	214,499	197,094
Total Deferred Outflows of Resources	\$ 480,562	\$ 262,377
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 1,003,835	\$ 510,158
Differences between expected and actual experience	18,510	54,751
Total Deferred Inflows of Resources	\$ 1,022,345	\$ 564,909

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Notes to the Financial Statements
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NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

\$214,499 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2023	(\$45,759)
2024	(314,793)
2025	(236,044)
2026	<u>(159,686)</u>
Total	<u><u>(\$756,282)</u></u>

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, 2021, 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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

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Notes to the Financial Statements
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NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

	Traditional Pension Plan
Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Future Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent including wage inflation
Prior Measurement Date:	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:	
Current Measurement Date:	3 percent, simple through 2022, then 2.05 percent simple
Prior Measurement Date:	0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return	
Current Measurement Date:	6.9 percent
Prior Measurement Date:	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected 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 a gain of 15.3 percent at 2021 and at a loss of 11.7 for 2020.

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Notes to the Financial Statements
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NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

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

Discount Rate: The discount rate used to measure the total pension liability was 6.9 percent for 2021 and 7.2 percent for 2020, 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:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
NOPEC's proportionate share of the net pension liability	\$2,225,083	\$843,939	\$305,356

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NOTE 7 DEFINED BENEFIT OPEB PLANS

Net OPEB Asset – Ohio Public Employees Retirement System

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

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

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

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

Plan Description

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.

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NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of covered payroll. In 2022, 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. For 2022, OPERS did not allocate employer contributions to health care for members in the Traditional Pension Plan and 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 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. NOPEC's contractually required contributions for 2022 and 2021 were \$29,207 and \$29,838 respectively.

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NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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

The net OPEB liability/(asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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:

	<u>2022</u>	<u>2021</u>
Proportion of the Net OPEB Asset Prior Measurement Date	0.012893%	0.011988%
Proportion of the Net OPEB Asset Current Measurement Date	<u>0.013812%</u>	<u>0.012893%</u>
Change in Proportionate Share	<u>0.000919%</u>	<u>0.000905%</u>
Proportionate Share of the Net OPEB Liability/(Asset)	(\$432,613)	(\$229,699)
OPEB Expense	(\$195,707)	(\$1,125,599)

At December 31, 2022, and December 31, 2021, NOPEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2022</u>	<u>2021</u>
Deferred Outflows of Resources		
Changes of assumptions	\$ -	\$ 112,922
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	67,000	186,296
NOPEC contributions subsequent to the measurement date	<u>29,207</u>	<u>29,838</u>
Total Deferred Outflows of Resources	<u>\$ 96,207</u>	<u>\$ 329,056</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 65,621	\$ 207,302
Changes of assumptions	175,116	372,181
Net difference between projected and actual earnings on OPEB plan investments	<u>206,238</u>	<u>122,341</u>
Total Deferred Inflows of Resources	<u>\$ 446,975</u>	<u>\$ 701,824</u>

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NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

\$29,207 reported as deferred outflows of resources related to OPEB resulting from NOPEC contributions subsequent to the measurement date will be recognized as an increase in net OPEB asset in 2023. 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:	
2023	(\$220,214)
2024	(85,079)
2025	(45,062)
2026	(29,620)
Total	<u>(\$379,975)</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	1.84 percent
Prior Measurement Date:	2.00 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2034
Prior Measurement Date:	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

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NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 14.3 percent for 2021 and 10.5 percent for 2020.

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 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

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For the Years Ended December 31, 2022 and 2021

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate: A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 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 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
NOPEC's proportionate share of the net net OPEB asset	\$254,417	\$432,613	\$580,518

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 2022 is 5.5 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 asset	\$437,288	\$432,613	\$427,067

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2022 and 2021, 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 2022 and 2021 totaling \$7,670,200 and \$6,200,000, respectively.

NOTE 10 PREPAID EXPENSES

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

NOTE 11 CHANGES IN ACCOUNTING PRINCIPLES

During the year, NOPEC implemented the following Governmental Accounting Standards Board (GASB) Statements and Implementation Guides:

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of NOPEC.

GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have an effect on the financial statements of NOPEC.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this Statement did not have an effect on the financial statements of NOPEC.

GASB Statement No. 87, *Leases* and GASB Implementation Guide 2019-3, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The implementation of this Statement did not have an effect on the financial statements of NOPEC.

**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 Nine Years (1)

<u>Traditional Plan</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
NOPEC's Proportion of the Net Pension Liability	0.009700%	0.008839%	0.008596%	0.007913%	0.006993%	0.006513%	0.005132%	0.004443%	0.004443%
NOPEC's Proportionate Share of the Net Pension Liability	\$ 843,939	\$ 1,308,863	\$ 1,699,058	\$ 2,167,210	\$ 1,097,066	\$ 1,478,992	\$ 888,927	\$ 535,875	\$ 523,772
NOPEC's Covered Payroll	\$ 1,407,814	\$ 1,244,936	\$ 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	59.95%	105.13%	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	92.62%	86.88%	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 Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 214,499	\$ 197,094	\$ 174,291	\$ 169,320	\$ 149,623	\$120,137	\$101,031	\$ 76,641	\$ 65,364	\$ 62,966
Contributions in Relation to the Contractually Required Contribution	<u>(214,499)</u>	<u>(197,094)</u>	<u>(174,291)</u>	<u>(169,320)</u>	<u>(149,623)</u>	<u>(120,137)</u>	<u>(101,031)</u>	<u>(76,641)</u>	<u>(65,364)</u>	<u>(62,966)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NOPEC's Covered Payroll	\$1,532,136	\$1,407,814	\$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%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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 Six Years (1)

	2022	2021	2020	2019	2018	2017
NOPEC's Proportion of the Net OPEB Liability/Asset	0.013812%	0.012893%	0.011988%	0.009175%	0.007220%	0.006740%
NOPEC's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (432,613)	\$ (229,699)	\$ 1,655,854	\$ 1,196,203	\$ 784,039	\$ 680,763
NOPEC's Covered Payroll	\$ 2,153,764	\$ 1,949,892	\$ 1,811,104	\$ 1,330,743	\$ 1,022,674	\$ 931,707
NOPEC's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-20.09%	-11.78%	91.43%	89.89%	76.67%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	115.57%	115.57%	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 Eight Years (1)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 29,207	\$ 29,838	\$ 28,198	\$ 24,067	\$ 10,480	\$ 13,183	\$ 20,430	\$ 12,773
Contributions in Relation to the Contractually Required Contribution	<u>(29,207)</u>	<u>(29,838)</u>	<u>(28,198)</u>	<u>(24,067)</u>	<u>(10,480)</u>	<u>(13,183)</u>	<u>(20,430)</u>	<u>(12,773)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NOPEC Covered Payroll	\$ 2,262,314	\$ 2,153,764	\$ 1,949,892	\$ 1,811,104	\$ 1,330,743	\$ 1,022,674	\$ 931,707	\$ 727,074
Contributions as a Percentage of Covered Payroll	1.29%	1.39%	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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

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 2014-2022.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2022.

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 2019, 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%.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034.

NORTHEAST OHIO PUBLIC ENERGY COUNCIL CUYAHOGA COUNTY

Management's Discussion and Analysis *December 31, 2021 and 2020* *(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, 2021 and 2020. 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 2021 and 2020 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 in NOPEC's pension and OPEB liabilities/assets are due to the change in the proportionate share of pension and OPEB liabilities/assets.
- Net position increased by \$4,196,740 or 9.3% for 2021 and increased \$2,745,316 or 5.8% for 2020. The increases in 2021 and 2020 are due mainly to continuing operations.
- NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 100.8% and 93.0% of total revenues in 2021 and 2020, 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 2021 and 2020. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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*Management's Discussion and Analysis
December 31, 2021 and 2020
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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 2021 and 2020 compared to 2019:

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2021 and 2020
(UNAUDITED)*

Table 1 - Net Position

	As of December 31		
	2021	2020	2019
Assets			
Cash and Cash Equivalents	\$46,989,041	\$42,807,507	\$37,686,277
Accounts, Interest and Note Receivable	3,384,733	3,979,624	6,453,348
Prepaid Expenses	179,805	160,014	32,606
Deposits	164,956	0	0
Capital Assets, Net	1,455,357	1,178,711	965,678
Net OPEB Asset	229,699	0	0
Total Assets	52,403,591	48,125,856	45,137,909
Deferred Outflow of Resources			
Pension	262,377	404,349	786,457
OPEB	329,056	593,100	283,590
Total Deferred Outflows of Resources	591,433	997,449	1,070,047
Liabilities			
Accounts Payable and Accrued Expenses	1,154,529	127,334	208,015
Unearned Revenue	23,260	0	35,243
Net Pension Liability	1,308,863	1,699,058	2,167,210
Net OPEB Liability	0	1,655,854	1,196,203
Total Liabilities	2,486,652	3,482,246	3,606,671
Deferred Inflow of Resources			
Pension	564,909	360,408	28,456
OPEB	701,824	235,752	3,246
Total Deferred Inflows of Resources	1,266,733	596,160	31,702
Net Position			
Investment in Capital Assets	1,455,357	1,178,711	965,678
Unrestricted	47,786,282	43,866,188	41,603,905
Total Net Position	\$49,241,639	\$45,044,899	\$42,569,583

The net pension liability (NPL), net OPEB liability (NOL) and net OPEB asset are reported by NOPEC at December 31, 2021, and December 31, 2020, 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 and net OPEB asset.

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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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/asset 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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*Management's Discussion and Analysis
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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/asset, respectively, not accounted for as deferred inflows/outflows.

There is no related debt to the Capital Assets. Capital Assets were \$1,455,357 and \$1,178,711 at December 31, 2021 and 2020, respectively. The Capital Assets are used to provide services to residential and small commercial consumers in member communities.

The changes in Net OPEB Asset, Net Pension and OPEB Liability, and the Deferred Inflows and Outflows of Resources are attributed to the recording of GASB Statements No. 68 and 75 as previously mentioned.

The increase in Deposits is due to an additional reserve deposit requirement for the Warren County Port Authority Special Obligation Revenue Bonds, Series 2021E issued in November 2021.

The increase in Accounts Payable and Accrued Expenses is due to the timing of certain year end payables and pending disbursements from a large PACE loan that closed at the end of December.

As mentioned previously, net position of governmental activities increased \$4,196,740 or 9.3% for 2021 and increased \$2,475,316 or 5.8% for 2020. The increase in 2021 and 2020 are due mainly to continuing operations. Table 2 reflects the changes in net position in 2021, 2020 and 2019:

Table 2 - Changes in Net Position

	For the Years Ended December 31		
	2021	2020	2019
Revenues			
Program Revenues:			
Charges for Services	\$15,720,276	\$16,716,584	\$13,413,860
Total Program Revenues	<u>\$15,720,276</u>	<u>\$16,716,584</u>	<u>\$13,413,860</u>
General Revenues:			
Interest	(130,223)	1,258,547	976,423
Total General Revenues	<u>(130,223)</u>	<u>1,258,547</u>	<u>976,423</u>
Total Revenues	<u>15,590,053</u>	<u>17,975,131</u>	<u>14,390,283</u>
Program Expenses:			
General Government	11,393,313	15,499,815	13,058,889
Total Program Expenses	<u>11,393,313</u>	<u>15,499,815</u>	<u>13,058,889</u>
Increase (Decrease) in Net Position	4,196,740	2,475,316	1,331,394
Net Position, January 1	45,044,899	42,569,583	41,238,189
Net Position, December 31	<u>\$49,241,639</u>	<u>\$45,044,899</u>	<u>\$42,569,583</u>

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Management's Discussion and Analysis
December 31, 2021 and 2020
(UNAUDITED)*

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. Charges for services decreased due to being an "off" year for the natural gas opt-in cycle. This is a two-year revenue cycle occurring in the "even" numbered years. Interest decreased due to general market conditions for fixed-interest instruments. The fair market value change attributed to the total negative interest amount.

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. Program expenses decreased mainly due to a reduction in the grant to Nopec Inc. and an overall reduction in legal fees.

Governmental Activities

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

NOPEC's Funds

Total governmental funds had revenues of \$15,777,352 and expenditures of \$13,056,417 for the year ended December 31, 2021; and revenues of \$17,975,131 and expenditures of \$15,084,293 for the year ended December 31, 2020. The fund balance of the General Fund increased \$2,720,935 in 2021 and increased \$2,890,838 in 2020. Expenses and revenues decreased in 2021 due to the before-mentioned decrease in the grant to Nopec, Inc. and the two-year natural gas revenue cycle fluctuations.

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 2021 and 2020.

Capital Assets

At the end of fiscal year 2021, NOPEC had \$1,455,357 (net of accumulated depreciation) invested in land, construction in progress, office condominium buildings, and machinery and equipment. The following table shows fiscal 2021 balances compared to 2020 and 2019.

Capital Assets at December 31 (net of depreciation) Governmental Activities			
	2021	2020	2019
Land	\$ 204,200	\$ 200,400	\$ -
Construction in Progress	-	210,940	-
Building	1,210,559	717,077	877,765
Machinery and Equipment	40,598	50,294	87,913
	\$ 1,455,357	\$ 1,178,711	\$ 965,678

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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*Management's Discussion and Analysis
December 31, 2021 and 2020
(UNAUDITED)*

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, 2021 and 2020*

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$46,989,041	\$42,807,507
Accounts Receivable	2,603,932	2,345,292
Accrued Interest Receivable	74,794	81,101
Prepaid Expenses	179,805	160,014
Note Receivable - PACE	706,007	1,553,231
Deposits	164,956	-
Capital Assets, Net	1,455,357	1,178,711
Net OPEB Asset	229,699	-
Total Assets	<u>52,403,591</u>	<u>48,125,856</u>
Deferred Outflow of Resources		
Pension	262,377	404,349
OPEB	329,056	593,100
Total Deferred Outflow of Resources	<u>591,433</u>	<u>997,449</u>
Liabilities		
Accounts Payable and Accrued Expenses	1,154,529	127,334
Unearned Revenue	23,260	-
Net Pension Liability	1,308,863	1,699,058
Net OPEB Liability	-	1,655,854
Total Liabilities	<u>2,486,652</u>	<u>3,482,246</u>
Deferred Inflow of Resources		
Pension	564,909	360,408
OPEB	701,824	235,752
Total Deferred Inflow of Resources	<u>1,266,733</u>	<u>596,160</u>
Net Position		
Investment in Capital Assets	1,455,357	1,178,711
Unrestricted	47,786,282	43,866,188
Total Net Position	<u>\$49,241,639</u>	<u>\$45,044,899</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

*Statement of Activities
For the Year Ended December 31, 2021*

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities			
General Government	<u>\$11,393,313</u>	<u>\$15,720,276</u>	<u>\$4,326,963</u>
<i>Total Government Activities</i>	<u><u>\$11,393,313</u></u>	<u><u>\$15,720,276</u></u>	<u><u>4,326,963</u></u>
General Revenues			
Interest and other income			<u>(130,223)</u>
<i>Total General Revenues</i>			<u>(130,223)</u>
Change in Net Position			4,196,740
<i>Net Position - Beginning of Year</i>			<u>45,044,899</u>
<i>Net Position - End of Year</i>			<u><u>\$49,241,639</u></u>

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
<i>Total Government Activities</i>	\$15,499,815	\$16,716,584	1,216,769
General Revenues			
Interest income			1,258,547
<i>Total General Revenues</i>			1,258,547
Change in Net Position			2,475,316
<i>Net Position - Beginning of Year</i>			42,569,583
<i>Net Position - End of Year</i>			\$45,044,899

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**
*Balance Sheet
General Fund
December 31, 2021 and 2020*

	2021	2020
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$46,989,041	\$42,807,507
Accounts Receivable	2,603,932	2,345,292
Accrued Interest Receivable	74,794	81,101
Prepaid Expenses	179,805	160,014
Note Receivable - PACE	706,007	1,553,231
Deposits	164,956	-
Total Assets	\$50,718,535	\$46,947,145
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,154,529	\$ 127,334
Unearned Revenue	23,260	-
Total Liabilities	1,177,789	127,334
 Fund Balances:		
Nonspendable	1,050,768	1,713,245
Unassigned	48,489,978	45,106,566
Total Fund Balances	49,540,746	46,819,811
Total Liabilities and Fund Balances	\$50,718,535	\$46,947,145

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, 2021 and 2020*

	2021	2020
Total Governmental Fund Balances	\$49,540,746	\$46,819,811
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
 The net pension liability and net OPEB liability are not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore the asset, liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflow of Resources - Pension	262,377	404,349
Deferred Outflow of Resources - OPEB	329,056	593,100
Deferred Inflow of Resources - Pension	(564,909)	(360,408)
Deferred Inflow of Resources - OPEB	(701,824)	(235,752)
Net Pension Liability	(1,308,863)	(1,699,058)
Net OPEB Liability	0	(1,655,854)
Net OPEB Asset	229,699	0
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds:	1,455,357	1,178,711
Net Position of Governmental Activities	\$49,241,639	\$45,044,899

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, 2021 and 2020*

	2021	2020
Revenues:		
Management Fees	\$15,720,276	\$16,716,584
Interest	(183,242)	1,258,547
Miscellaneous	40,318	-
Total Revenues	15,577,352	17,975,131
Expenses:		
Current:		
Commercial Programs	439,355	50,024
Communication and Consulting Services	241,487	231,936
Community Sponsorships	283,038	263,313
Legal Fees	667,365	1,188,521
Information Tech and Support	91,327	80,036
Professional/Audit/Investment Fees	75,785	44,257
Support for CRES	6,200,000	8,700,000
Marketing and Support Services	1,724,113	1,755,623
Sales Support	56,983	62,146
Office and Other General Administrative	240,903	232,974
Salaries and Benefits	2,496,685	2,191,659
Capital Outlay	501,113	246,240
Meetings/Travel	38,263	37,564
Total Expenditures	13,056,417	15,084,293
Excess of Revenues Over Expenditures	2,520,935	2,890,838
Other Financing Receipts		
Gain on Sale of Asset	200,000	-
Excess of Revenues Over/(Under) Expenses	2,720,935	2,890,838
Fund Balance, Beginning of Year	46,819,811	43,928,973
Fund Balance, End of Year	\$49,540,746	\$46,819,811

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, 2021 and 2020*

	2021	2020
Net Change in Fund Balances - Total Governmental Funds	\$2,720,935	\$2,890,838
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	197,094	174,291
OPEB	29,838	28,198
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	(153,372)	(420,199)
OPEB	1,125,599	(410,845)
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	501,113	246,240
Depreciation	(39,422)	(25,490)
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.		
	(185,045)	(7,717)
Change in Net Position of Governmental Activities	\$4,196,740	\$2,475,316

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 over 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, 2021 and 2020. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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.

Governmental Funds

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

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

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2021, and 2020, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2021 and December 31, 2020.

L. Pensions

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For 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 2021 and 2020, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 \$12,171,198 and \$7,713,117 and the bank balances totaled \$12,211,887 and \$7,714,725, as of December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, \$250,000 and \$250,000 of NOPEC's bank balances, respectively were insured by FDIC and \$11,961,887 and \$7,464,725, 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, 2021.

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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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

Investments

As of December 31, 2021, and 2020, NOPEC had the following investments and maturities:

Investment Type	Credit Rating (Moody's)	Level of Input	12/31/2021 Measurement Value	Investment Maturity (in years)		
				<1	1-3	3-5
Money Market Funds	Aaa-mf	N/A	\$ 40,674	\$ 40,674	\$ -	\$ -
Certificate of Deposits	N/A	2	8,996,342	3,891,637	4,859,726	244,979
U.S. Government Agency Obligations	Aaa	2	16,879,730	1,345,192	6,693,431	8,841,107
U.S. Treasury Notes	Aaa	2	7,479,978	776,437	3,260,068	3,443,473
Municipal Bond	Aaa	2	1,421,119	-	261,817	1,159,302
Total Investments			<u>\$ 34,817,843</u>	<u>\$ 6,053,940</u>	<u>\$ 15,075,042</u>	<u>\$ 13,688,861</u>

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			<u>\$ 35,094,390</u>	<u>\$ 9,780,947</u>	<u>\$ 13,352,161</u>	<u>\$ 11,961,282</u>

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, 2021, and 2020. 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 5 NET INVESTMENT IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance 1/1/2021	Additions	Transfers	Disposals	Balance 12/31/2021
<u>Governmental Activities</u>					
<i>Capital Assets, Not being Depreciated:</i>					
Land	\$ 200,400	\$ 35,300	\$ -	\$ (31,500)	\$ 204,200
Construction in Progress	210,940	-	-	(210,940)	-
Total Capital Assets, Not being Depreciated	411,340	35,300	-	(242,440)	204,200
<i>Capital Assets, being Depreciated:</i>					
Buildings	840,577	666,408	-	(204,729)	1,302,256
Machinery and Equipment	279,148	10,345	-	-	289,493
Total Capital Assets Being Depreciated	1,119,725	676,753	-	(204,729)	1,591,749
Less Accumulated Depreciation:					
Buildings	(123,500)	(19,381)	-	51,184	(91,697)
Machinery and Equipment	(228,854)	(20,041)	-	-	(248,895)
Total Accumulated Depreciation	(352,354)	(39,422)	-	51,184	(340,592)
<i>Total Capital Assets, being Depreciated, Net</i>	767,371	637,331	-	(153,545)	1,251,157
Governmental Activities Capital Assets, Net	\$ 1,178,711	\$ 672,631	\$ -	\$(395,985)	\$ 1,455,357
	Balance 1/1/2020	Additions	Transfers	Disposals	Balance 12/31/2020
<u>Governmental Activities</u>					
<i>Capital Assets, Not being Depreciated:</i>					
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
<i>Capital Assets, being Depreciated:</i>					
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)
<i>Total Capital Assets, being Depreciated, Net</i>	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

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 ACFR 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

* 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 \$197,094 for fiscal year ending December 31, 2021, and \$174,291 for fiscal year ending December 31, 2020.

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, 2020, and December 31, 2019, 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:

	<u>2021</u>	<u>2020</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.008596%	0.007913%
Proportion of the Net Pension Liability Current Measurement Date	<u>0.008839%</u>	<u>0.008596%</u>
Change in Proportionate Share	<u>0.000243%</u>	<u>0.000683%</u>
Proportionate Share of the Net Pension Liability	\$1,308,863	\$1,699,058
Pension Expense	\$153,372	\$420,199

At December 31, 2021, and December 31, 2020, NOPEC reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<u>2021</u>	<u>2020</u>
Deferred Outflows of Resources		
Changes of assumptions	\$ -	\$ 90,749
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	65,283	139,309
NOPEC contributions subsequent to the measurement date	<u>197,094</u>	<u>174,291</u>
Total Deferred Outflows of Resources	<u>\$ 262,377</u>	<u>\$ 404,349</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 510,158	\$ 338,925
Differences between expected and actual experience	<u>54,751</u>	<u>21,483</u>
Total Deferred Inflows of Resources	<u>\$ 564,909</u>	<u>\$ 360,408</u>

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
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NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

\$197,094 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2021	(\$161,265)
2022	(60,825)
2023	(207,959)
2024	<u>(69,577)</u>
Total	<u><u>(\$499,626)</u></u>

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, 2020, 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 COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 0.50 percent, simple through 2021, 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.

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Notes to the Financial Statements
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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 11.7 and 17.2 percent for 2020 and 2019, 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 2020 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 %	1.50 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 6 DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.2 percent for 2020 and 2019, 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	\$2,496,664	\$1,308,863	\$321,209

NOTE 7 DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/asset – Ohio Public Employees Retirement System

The net OPEB liability/asset reported on the statement of net position represents a liability/asset 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/asset 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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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Notes to the Financial Statements
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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' ACFR referenced below for additional information.

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

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
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For the Years Ended December 31, 2021 and 2020

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 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. NOPEC's contractually required contributions for 2021 and 2020 were \$29,838 and \$28,198 respectively.

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

The net OPEB liability/(asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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:

	<u>2021</u>	<u>2020</u>
Proportion of the Net OPEB Liability		
Prior Measurement Date	0.011988%	0.009175%
Proportion of the Net OPEB Liability/Asset		
Current Measurement Date	<u>0.012893%</u>	<u>0.011988%</u>
Change in Proportionate Share	<u>0.000905%</u>	<u>0.002813%</u>
Proportionate Share of the Net OPEB Liability/(Asset)	(\$229,699)	\$1,655,854
OPEB Expense	(\$1,125,599)	\$410,845

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 7 DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2021, and December 31, 2020, NOPEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ -	\$ 44
Changes of assumptions	112,922	262,105
Changes in proportion and differences between NOPEC contributions and proportionate share of contributions	186,296	302,753
NOPEC contributions subsequent to the measurement date	29,838	28,198
Total Deferred Outflows of Resources	\$ 329,056	\$ 593,100
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 207,302	\$ -
Changes of assumptions	372,181	-
Net difference between projected and actual earnings on OPEB plan investments	122,341	84,316
Differences between expected and actual experience	-	151,436
Total Deferred Inflows of Resources	\$ 701,824	\$ 235,752

\$29,838 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 2022. 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:	
2022	(\$156,830)
2023	(178,198)
2024	(53,164)
2025	(14,414)
Total	(\$402,606)

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.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2019, rolled forward to the measurement date of December 31, 2020. 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	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 percent
Health Care Cost Trend Rate	8.5 percent, initial 3.50 percent, ultimate in 2035
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 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.5 percent for 2020 and 19.70 percent for 2019.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 2020 and the long-term expected real rates of return:

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

Discount Rate: A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, 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 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
NOPEC's proportionate share of the net net OPEB (asset)	(\$57,116)	(\$229,699)	(\$371,576)

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 2021 is 8.5 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 (asset)	(\$235,297)	(\$229,699)	(\$223,436)

NOTE 8 RISK MANAGEMENT AND CONTINGENCIES

NOPEC is exposed to various risks of loss. For 2021 and 2020, 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 2021 and 2020 totaling \$6,200,000 and \$8,700,000, respectively.

NOTE 10 PREPAID EXPENSES

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

NOTE 11 CHANGES IN ACCOUNTING PRINCIPLES

During the year, NOPEC implemented the following Governmental Accounting Standards Board (GASB) Statements and Implementation Guides:

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 11 CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates. The implementation of this Statement did not have an effect on the financial statements of NOPEC.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym *ACFR*. These changes were incorporated in the NOPEC's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Implementation Guide 2019-1, *Update*. These changes were incorporated in NOPEC's financial statements; however, there was no effect on the beginning net position/fund balance.

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 Eight Years (1)

Traditional Plan	2021	2020	2019	2018	2017	2016	2015	2014
NOPEC's Proportion of the Net Pension Liability	0.008839%	0.008596%	0.007913%	0.006993%	0.006513%	0.005132%	0.004443%	0.004443%
NOPEC's Proportionate Share of the Net Pension Liability	\$ 1,308,863	\$ 1,699,058	\$ 2,167,210	\$ 1,097,066	\$ 1,478,992	\$ 888,927	\$ 535,875	\$ 523,772
NOPEC's Covered Payroll	\$ 1,244,936	\$ 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	105.13%	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	86.88%	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 Nine Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 197,094	\$ 174,291	\$ 169,320	\$ 149,623	\$120,137	\$101,031	\$ 76,641	\$ 65,364	\$ 62,966
Contributions in Relation to the Contractually Required Contribution	<u>(197,094)</u>	<u>(174,291)</u>	<u>(169,320)</u>	<u>(149,623)</u>	<u>(120,137)</u>	<u>(101,031)</u>	<u>(76,641)</u>	<u>(65,364)</u>	<u>(62,966)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NOPEC's Covered Payroll	\$1,407,814	\$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%	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 Five Years (1)

	2021	2020	2019	2018	2017
NOPEC's Proportion of the Net OPEB Liability/Asset	0.012893%	0.011988%	0.009175%	0.007220%	0.006740%
NOPEC's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (229,699)	\$ 1,655,854	\$ 1,196,203	\$ 784,039	\$ 680,763
NOPEC's Covered Payroll	\$ 1,949,892	\$ 1,811,104	\$ 1,330,743	\$ 1,022,674	\$ 931,707
NOPEC's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-11.78%	91.43%	89.89%	76.67%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	115.57%	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 Seven Years (1)

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 29,838	\$ 28,198	\$ 24,067	\$ 10,480	\$ 13,183	\$ 20,430	\$ 12,773
Contributions in Relation to the Contractually Required Contribution	(29,838)	(28,198)	(24,067)	(10,480)	(13,183)	(20,430)	(12,773)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NOPEC Covered Payroll	\$ 2,153,764	\$ 1,949,892	\$ 1,811,104	\$ 1,330,743	\$ 1,022,674	\$ 931,707	\$ 727,074
Contributions as a Percentage of Covered Payroll	1.39%	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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL
CUYAHOGA COUNTY**

Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

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 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple.

Net OPEB Liability

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

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

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OHIO AUDITOR OF STATE KEITH FABER



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

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and General Fund of the Northeast Ohio Public Energy Council, Cuyahoga County, (the Council) as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated August 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2023

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 9/12/2023

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

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