



Dave Yost • Auditor of State



**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, Ohio, as of December 31, 2012 and 2011, and the respective changes in financial position thereof for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 12 to the financial statements, during 2011, the Council adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 20, 2013

# NORTHEAST OHIO PUBLIC ENERGY COUNCIL CUYAHOGA COUNTY

## Management's Discussion and Analysis For The Years Ended December 31, 2012 and 2011 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, 2012 and 2011. 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 2012 and 2011 are as follows:

NOPEC is the largest public energy aggregation in the United States with 134 member communities. NOPEC is funded through management fees received from energy suppliers with which it has contracts. NOPEC does not receive any public funds.

Net position increased \$4,078,373, or 20%, for 2012 and an additional \$3,400,602, or 20%, for 2011. The increases in 2012 and 2011 are due to revenues that exceeded expenses for each year.

NOPEC's receipts are primarily management fees received from energy suppliers. Management fees represented 99% and 99% of total revenues in 2012 and 2011, respectively.

### Using the Basic Financial Statements

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

### Report Components

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

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

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

### Basis of Accounting

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2012 and 2011  
Unaudited  
(Continued)

**Reporting NOPEC as a Whole**

The combined statement of net position and statements of activities reflect how NOPEC performed financially during 2012 and 2011.

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

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

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

**Reporting NOPEC's Most Significant Fund**

Fund financial statements provide detailed information about major funds – not NOPEC as a whole. NOPEC has only governmental funds.

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2012 and 2011  
Unaudited  
(Continued)

**NOPEC as a Whole**

Table 1 provides a summary of NOPEC's net position for 2012 and 2011 compared to 2010:

	<b>Net Position (Table 1)</b>		
	As of December 31		
	2012	2011	2010
<b>Assets</b>			
Cash and Cash Equivalents	\$21,072,749	\$17,117,479	\$15,029,780
Accounts Receivable	1,636,236	2,072,960	677,992
Prepaid Expenses	1,316,548	885,416	875,000
Capital Assets, Net	468,390	230,306	236,013
<b>Total Assets</b>	<b>\$24,493,923</b>	<b>\$20,306,161</b>	<b>\$16,818,785</b>
<b>Liabilities</b>			
Accounts Payable	\$239,854	\$130,465	\$43,691
<b>Total Liabilities</b>	<b>239,854</b>	<b>130,465</b>	<b>43,691</b>
<b>Net Position</b>			
Net Investment in Capital Assets	468,390	230,306	236,013
Unrestricted	23,785,679	19,945,390	16,539,081
<b>Total Net Position</b>	<b>\$24,254,069</b>	<b>\$20,175,696</b>	<b>\$16,775,094</b>

There is no related debt to the Capital Assets. Capital Assets were \$468,390 and \$230,306 at December 31, 2012 and 2011, respectively. The Capital Assets are used to provide services to citizens in member communities.

As mentioned previously, net position of governmental activities increased \$4,078,373, or 20%, for 2012 and an additional \$3,400,602, or 20%, for 2011 and an additional \$1,895,538, or 13%, for 2010. The increase in assets in 2012, 2011 and 2010 was the result of changes in overall net assets and a 2012 purchase of an additional, larger office condominium, office equipment.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2012 and 2011  
Unaudited  
(Continued)

Table 2 reflects the changes in net position in 2012, 2011 and 2010:

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

	For the Years Ended December 31		
	2012	2011	2010
Revenues			
Program Revenues:			
Charges for Services	\$9,347,776	\$7,862,220	\$5,654,736
Total Program Revenues	<u>9,347,776</u>	<u>7,862,220</u>	<u>5,654,736</u>
General Revenues:			
Interest	20,429	47,488	38,099
Total General Revenues	<u>20,429</u>	<u>47,488</u>	<u>38,099</u>
Total Revenues	<u>9,368,205</u>	<u>7,909,708</u>	<u>5,692,835</u>
Program Expenses:			
General Government	5,289,832	4,509,106	3,797,297
Total Program Expenses	<u>5,289,832</u>	<u>4,509,106</u>	<u>3,797,297</u>
Increase in Net Position	4,078,373	3,400,602	1,895,538
Net Position, January 1	<u>20,175,696</u>	<u>16,775,094</u>	<u>14,879,556</u>
Net Position, December 31	<u>\$24,254,069</u>	<u>\$20,175,696</u>	<u>\$16,775,094</u>

Management fees historically represent a significant portion of NOPEC's total receipts. In addition, NOPEC received additional charges for services in 2012, 2011 and 2010, respectively, as a result of acquisition costs related to entering new gas contracts. Other receipts consist of interest earned.

Program expenses represent the overhead costs of running NOPEC's activities. These include communication services to member communities and potential member communities, legal fees, aggregation services and other supporting services. In 2012 and 2011, NOPEC also paid FirstEnergy \$4,229,326 and \$3,621,817 to extend the electric contract discount through the end of 2012 and 2011 respectively, which were the largest single expense categories for NOPEC during 2012 and 2011.

**Governmental Activities**

NOPEC is a jointly governed organization consisting of 134 member communities.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

Management's Discussion and Analysis  
For The Years Ended December 31, 2012 and 2011  
Unaudited  
(Continued)

**NOPEC's Funds**

Total governmental funds had revenues of \$9,368,205 and expenditures of \$5,527,916 for the year ended December 31, 2012; and revenues of \$7,909,708 and expenditures of \$4,503,399 for the year ended December 31, 2011. The fund balance of the General Fund increased \$3,840,289 in 2012 and \$3,406,309 in 2011 indicating that the General Fund is in a surplus condition.

**General Fund Budgeting Highlights**

NOPEC is not bound by the budgetary laws prescribed by the Ohio Revised Code. However, NOPEC did maintain formal budgets for 2012 and 2011.

**Capital Assets**

At the end of 2012, NOPEC had \$468,390 (net of accumulated depreciation) invested in two office condominium buildings and equipment. The following table shows fiscal 2012 balances compared to 2011.

	Capital Assets at December 31 (net of depreciation)	
	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Building	\$461,109	\$219,692
Equipment	7,281	10,614
<b>Total</b>	<u>\$468,390</u>	<u>\$230,306</u>

**Current Issues**

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

**Contacting NOPEC's Financial Management**

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

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statement of Net Position  
December 31, 2012 and 2011*

	Governmental Activities	Governmental Activities
	2012	2011
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$21,072,749	\$17,117,479
Accounts Receivable	1,636,236	2,072,960
Prepaid Expenses	1,316,548	885,416
Depreciable Capital Assets, Net	468,390	230,306
<i>Total Assets</i>	<u>24,493,923</u>	<u>20,306,161</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	239,854	130,465
<i>Total Liabilities</i>	<u>239,854</u>	<u>130,465</u>
<b>Net Position</b>		
Net Investment in Capital Assets	468,390	230,306
Unrestricted (Deficit)	23,785,679	19,945,390
<i>Total Net Position</i>	<u>\$24,254,069</u>	<u>\$20,175,696</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, 2012*

	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Expenses	Charges for Services	Governmental Activities
<b>Governmental Activities:</b>		
General Government	\$9,347,776	\$4,057,944
<i>Total Governmental Activities</i>	<u>\$9,347,776</u>	<u>4,057,944</u>
	<b>General Revenues</b>	
	Interest	20,429
	<i>Total General Revenues</i>	<u>20,429</u>
	Change in Net Position	4,078,373
	<i>Net Position, Beginning of Year</i>	<u>20,175,696</u>
	<i>Net Position, End of Year</i>	<u>\$24,254,069</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, 2011*

	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>		
General Government	\$7,862,220	\$3,353,114
<i>Total Governmental Activities</i>	<u>\$7,862,220</u>	<u>3,353,114</u>
	<b>General Revenues</b>	
	Interest	47,488
	<i>Total General Revenues</i>	<u>47,488</u>
	Change in Net Position	3,400,602
	<i>Net Position, Beginning of Year</i>	<u>16,775,094</u>
	<i>Net Position, End of Year</i>	<u>\$20,175,696</u>

See accompanying notes to the basic financial statements

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Balance Sheet  
General Fund  
December 31, 2012 and 2011*

	2012	2011
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$21,072,749	\$17,117,479
Accounts Receivable	1,636,236	2,072,960
Prepaid Expenses	1,316,548	885,417
<i>Total Assets</i>	<b>\$24,025,533</b>	<b>\$20,075,856</b>
<b>Liabilities</b>		
Accounts Payable	\$239,854	\$130,465
<i>Total Liabilities</i>	239,854	130,465
<b>Fund Balances</b>		
Nonspendable	1,316,548	885,417
Unassigned	22,469,131	19,059,974
<i>Total Fund Balances</i>	23,785,679	19,945,391
<i>Total Liabilities and Fund Balances</i>	<b>\$24,025,533</b>	<b>\$20,075,856</b>

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, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Total Governmental Funds Balances</b>	\$23,785,679	\$19,945,391
<b><i>Amounts reported for governmental activities in the statement of net position are different because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>468,390</u>	<u>230,306</u>
<b><i>Net Position of Governmental Activities</i></b>	<u><u>\$24,254,069</u></u>	<u><u>\$20,175,697</u></u>

See accompanying notes to the basic financial statements

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

*Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Years Ended December 31, 2012 and 2011*

	2012 General Fund	2011 General Fund
<b>Revenues</b>		
Management Fees	\$9,347,776	\$7,862,220
Interest	20,429	47,488
<i>Total Revenues</i>	<u>9,368,205</u>	<u>7,909,708</u>
<b>Expenditures</b>		
Current:		
Energy Conservation Grants	0	(6,026)
Communication Services	76,937	76,760
Legal Fees	289,197	176,369
Accounting/Audit Services	89,373	48,913
Aggregation Services/Community Training	37,934	36,000
CRES	100,000	103,637
Literature/Media	15,122	15,264
Office/Postage/Telephone/Insurance	70,493	60,996
Salaries, Wages and Payroll Taxes	305,287	329,033
Electric Program Discount	4,229,326	3,621,817
Capital Outlay	248,186	4,395
Meetings/Travel	66,061	36,241
<i>Total Expenditures</i>	<u>5,527,916</u>	<u>4,503,399</u>
<i>Net Changes in Fund Balances</i>	3,840,289	3,406,309
<i>Fund Balances, Beginning of Year</i>	<u>19,945,390</u>	<u>16,539,081</u>
<i>Fund Balances, End of Year</i>	<u><u>\$23,785,679</u></u>	<u><u>\$19,945,390</u></u>

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 to the Statement of Activities  
For the Years Ended December 31, 2012 and 2011*

	2012	2011
<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$3,840,289	\$3,406,309
 <b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	248,186	4,395
Depreciation	(10,102)	(10,102)
 <i>Change in Net Position of Governmental Activities</i>	 \$4,078,373	 \$3,400,602

See accompanying notes to the basic financial statements

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**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 DESCRIPTION OF THE ENTITY**

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments consisting of approximately 134 member communities (including municipal corporations, townships and counties, all of which are political subdivisions of the State of Ohio) from nine Northeast Ohio counties. NOPEC is governed by a General Assembly, made up of one representative from each member community. The representatives from each county elect one person to serve on the nine-member NOPEC Board of Directors. The Council, established under Ohio Revised Code Chapter 167, in 2000, was formed to serve as a vehicle for communities to proceed jointly with aggregation programs for the purchase of electricity and natural gas. NOPEC seeks to provide electricity and natural gas at the lowest possible rates while also ensuring stability in prices by pursuing long-term contracts with suppliers.

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Accounting**

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**B. Cash and Investments**

During the year, NOPEC invested in STAR Ohio (the State Treasurer's investment pool), an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012 and 2011. NOPEC also invested in CDARS (Certificate of Deposit Account Registry Service) in one-year certificates of deposit aggregated from private financial institutions around the United States in amounts covered within established FDIC limits for each account and institution. Investments in CDARS are valued at historical cost plus interest accrued to day, which is the amount the investments could be sold for on December 31, 2012 and 2011.

**C. Budgetary Process**

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

**D. Basis of Presentation**

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

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

The statements of net position present the financial condition of the governmental activities of NOPEC at December 31, 2012 and 2011. The statements of activities present a comparison between direct expenses and program revenues for each program or function of NOPEC's governmental activities. Program revenues include monies provided by the recipient of the services offered by the program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of NOPEC.

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**E. Fund Accounting**

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

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

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

**F. Measurement Focus and Basis of Accounting**

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**F. Measurement Focus and Basis of Accounting (Continued)**

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

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

**G. Use of Estimates**

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

**H. Capital Assets**

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

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

**I. Accounts payable and accrued liabilities**

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

**J. Net Position**

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**K. Compensated Absences**

NOPEC accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, Accounting for Compensated Absences. Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. NOPEC employees also earn sick leave which, if not taken, accumulates until retirement. Upon retirement, an employee with ten or more years of service is paid 25% of accumulated sick leave, subject to certain limitations, calculated at current wage rates. As of December 31, 2012 and 2011, NOPEC employees did not have any carryover vacation or adequate service credit to be eligible for sick leave payout. Therefore, there is no accrual of compensated absences necessary.

**L. Fund Balances**

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

**1. Nonspendable**

NOPEC classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *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.

**3. Committed**

NOPEC can *commit* amounts via formal action (resolution). NOPEC must adhere to these commitments unless NOPEC amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**L. Fund Balances (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.

**NOTE 3 REVENUES**

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

For 2012 and 2011, NOPEC's administrative fees were based on annual contractually agreed upon amounts, on the number of new customers and on the respective consumption of natural gas by its customers. Accounts receivable consist of billed but unpaid administrative fees.

**NOTE 4 EQUITY IN POOLED CASH AND INVESTMENTS AND CREDIT RISK**

State statutes classify monies held by 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;

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

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.

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; and
3. Obligations of NOPEC.

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

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**Deposits**

At December 31, 2012 and 2011, 100% of NOPEC's bank balance of \$14,461,740, and \$1,311,887 of NOPEC's bank balance of \$10,472,552, respectively, were insured by FDIC and collateralized by a bank's pooled securities account. As such, securities were held by the pledging financial institutions' trust departments in NOPEC's name and all state statutory requirements for the investment of money had been followed. Noncompliance with federal requirements could potentially subject NOPEC to a successful claim by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, NOPEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. NOPEC has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with NOPEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2012 and 2011, NOPEC had the following investments and maturities:

Investment Type	2012	Maturity	2011	Maturity
	Balance at Fair Value	12 months or less	Balance at Fair Value	6 months or less
STAR Ohio	\$179,442	\$179,442	\$179,305	\$179,305
CDARS	6,484,729	6,484,729	6,464,460	6,464,460
	<u>\$6,664,171</u>	<u>\$6,664,171</u>	<u>\$6,643,765</u>	<u>\$6,643,765</u>

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

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

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

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

	<b>Balances 1/1/2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balances 12/31/2012</b>
<b>Governmental Activities</b>				
Depreciable Assets				
Buildings	\$236,229	\$246,142	\$0	\$482,371
Equipment	31,753	2,044	0	33,797
Total Depreciable Assets	<u>267,982</u>	<u>248,186</u>	<u>0</u>	<u>516,168</u>
Less: Accumulated Depreciation				
Buildings	16,537	4,725	0	21,262
Equipment	21,139	5,377	0	26,516
Total Accumulated Depreciation	<u>37,676</u>	<u>10,102</u>	<u>0</u>	<u>47,778</u>
Total Depreciable Assets, Net	<u>230,306</u>	<u>238,084</u>	<u>0</u>	<u>468,390</u>
Governmental Activities Capital Assets, Net	<u>\$230,306</u>	<u>\$238,084</u>	<u>\$0</u>	<u>\$468,390</u>
	<b>Balances 1/1/2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balances 12/31/2011</b>
<b>Governmental Activities</b>				
Depreciable Assets				
Buildings	\$236,229	\$0	\$0	\$236,229
Equipment	27,358	4,395	0	31,753
Total Depreciable Assets	<u>263,587</u>	<u>4,395</u>	<u>0</u>	<u>267,982</u>
Less: Accumulated Depreciation				
Buildings	11,812	4,725	0	16,537
Equipment	15,762	5,377	0	21,139
Total Accumulated Depreciation	<u>27,574</u>	<u>10,102</u>	<u>0</u>	<u>37,676</u>
Total Depreciable Assets, Net	<u>236,013</u>	<u>(5,707)</u>	<u>0</u>	<u>230,306</u>
Governmental Activities Capital Assets, Net	<u>\$236,013</u>	<u>(\$5,707)</u>	<u>\$0</u>	<u>\$230,306</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  
DECEMBER 31, 2012 AND 2011  
(Continued)

**NOTE 6 DEFINED BENEFIT PENSION PLAN**

NOPEC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the years ended December 31, 2012 and 2011, members in state and local divisions contributed 10 percent of covered payroll. For 2012 and 2011, member and employer contribution rates were consistent across all three plans. NOPEC's 2012 and 2011 contribution rates were 14 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. NOPEC's required contributions for pension obligations to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$34,402, \$33,246 and \$30,235, respectively. The full amount has been contributed for 2012, 2011 and 2010.

**NOTE 7 POST-EMPLOYMENT BENEFIT PLAN**

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 plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**NOTE 7 POST-EMPLOYMENT BENEFIT PLAN (Continued)**

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012 and 2011, respectively. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012 and 2011, respectively.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

NOPEC's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$9,829, \$9,498 and \$9,718, respectively. The full amount has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 10, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 8 RISK MANAGEMENT AND CONTINGENCIES**

NOPEC is exposed to various risks of loss. For 2012 and 2011, 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 portions of the CRES Development expenses totaling \$100,000 and \$103,637 in 2012 and 2011, respectively.

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**NOTE 10 PREPAID EXPENSES**

Prepaid expenses consist of payments made for the respective “electric program discount” for the following year.

**NOTE 11 SUBSEQUENT EVENT**

In August 2013, NOPEC entered into a new natural gas contract, receiving approximately \$4,800,000 in September and October 2013 in advance of the inception of the contract.

**NOTE 12 CHANGES IN ACCOUNTING PRINCIPLES**

For 2011, NOPEC implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The implementation of this Statement had no effect on NOPEC’s fund balances.

For 2011, NOPEC also implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in NOPEC’s financial statements.

For 2011, NOPEC also implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in NOPEC’s financial statements; however, there was no effect on beginning net position/fund balance.



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and major fund of the Northeast Ohio Public Energy Council, Cuyahoga County, (the Council) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 20, 2013, wherein we noted the Council adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 20, 2013

NORTHEAST OHIO PUBLIC ENERGY COUNCIL  
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Proper Reporting of Financial Statements	Yes	

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# Dave Yost • Auditor of State

**NORTHEAST OHIO PUBLIC ENERGY COUNCIL**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 2, 2014**