OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Dave Yost · Auditor of State

Board of Participants
Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6
and Municipal Energy Services Agency
1111 Schrock Road
Suite 100
Columbus, Ohio 43229

We have reviewed the *Independent Auditors' Report* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 24, 2018

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 1 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of OMEGA JV1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 OMEGA JV1's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV1 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV1's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV1 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV1 as of December 31:

Condensed Statements of Net Position

	2017	2016	2015
Assets			
Electric plant, net of accumulated depreciation	$ -	$ 113,647	$ 133,393
Board designated funds	92,115	92,115	88,713
Long term regulatory assets	-	92,612	88,804
Current assets	382,112	311,036	286,355
Total Assets	$ 474,227	$ 609,410	$ 597,265
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ -	$ 113,647	$ 133,393
Net position - unrestricted	314,284	230,373	230,465
Current liabilities	24,486	39,340	56,714
Asset retirement obligation	-	92,115	88,713
Deferred inflow of resources	135,457	133,935	87,980
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 474,227	$ 609,410	$ 597,265

2017 vs. 2016
Total assets were $474,227 and $609,410 as of December 31, 2017 and December 31 2016, respectively, a decrease of $135,183. The decrease in 2017 total assets is due primarily to the sale of the OMEGA JV1 asset. This transaction created decreases in regulatory assets of $131,044, in net electric plant of $113,647, in receivables from participants of $51,410, and in inventory of $40,283. These decreases are offset by an increase in cash and temporary investments of $201,160 and an increase in prepaid expenses of $41.

Electric plant, net of accumulated depreciation was $0 and $113,647 at year-end 2017 and 2016, respectively, a decrease of $113,647. The decrease was the result of the sale of the OMEGA JV1 asset. The asset associated with the asset retirement obligation included in the cost of electric plant for 2016 was $33,291. ARO obligations for OMEGA JV1 were prepared by an independent engineering consultant.

Long-term regulatory assets were $0 and $92,612 at December 31, 2017 and December 31, 2016, respectively, a decrease of $92,612. The decrease was a result of the sale of JV1 asset. Regulatory assets contained amounts for ARO and operational and maintenance related expenses. These regulatory amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were $382,112 and $311,036 at December 31, 2017 and December 31, 2016, respectively, an increase of $71,076. Compared to 2016 levels, cash increased $201,160, accounts receivable decreased $51,410, inventory decreased $40,283, regulatory assets decreased $38,432 and prepaid expenses increased $41.

Total net position, liabilities, and deferred inflow of resources were $474,227 and $609,410 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $135,183.

Total net position was $314,284 and $344,020, at December 31, 2017 and December 31, 2016, respectively, a decrease of $29,736. Net investment in capital assets was $0 and $113,647 at December 31, 2017 and December 31, 2016, respectively, a decrease of $113,647. Unrestricted net position was $314,284 and $230,373 at December 31, 2017 and December 31, 2016, respectively, an increase of $83,911.

Current liabilities were $24,486 and $39,340 at December 31, 2017 and December 31, 2016 respectively, a decrease of $14,854. This resulted from a decrease in accounts payable and accrued expenses of $10,865 and a decrease in payables to related parties of $3,989.

Noncurrent liabilities were $0 and $92,115 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $92,115. Estimated ARO liabilities decreased due to the sale of the OMEGA JV1 asset.

2016 vs. 2015
Total assets were $609,410 and $597,265 as of December 31, 2016 and December 31 2015, respectively, an increase of $12,145. The increase in 2016 total assets is due primarily to an increase in operating cash and regulatory assets, offset by decreases in receivables from participants and inventory.

Electric plant, net of accumulated depreciation was $113,647 and $133,393 at year-end 2016 and 2015, respectively, a decrease of $19,746. The decrease was the result of yearly depreciation. The asset associated with the asset retirement obligation included in the cost of electric plant for years 2016 and 2015 was $33,291. ARO obligations for OMEGA JV1 were prepared by an independent engineering consultant.

Long-term regulatory assets were $92,612 and $88,804 at December 31, 2016 and December 31, 2015, respectively, an increase of $3,808. Regulatory assets contain amounts for ARO and operational and maintenance related expenses. These regulatory amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were $311,036 and $286,355 at December 31, 2016 and December 31, 2015, respectively, an increase of $24,681. Compared to 2015 levels, cash increased $40,997, accounts receivable decreased $15,058, inventory decreased $2,376 and prepaid expenses increased $1,118.

Total net position, liabilities, and deferred inflow of resources were $609,410 and $597,265 as of December 31, 2016 and December 31, 2015, respectively, an increase of $12,145.

Total net position was $344,020 and $363,858, at December 31, 2016 and December 31, 2015, respectively, a decrease of $19,838. Net investment in capital assets was $113,647 and $133,393 at December 31, 2016 and December 31, 2015, respectively, a decrease of $19,746. Unrestricted net position was $230,373 and $230,465 at December 31, 2016 and December 31, 2015, respectively, a decrease of $92.

Current liabilities were $39,340 and $56,714 at December 31, 2016 and December 31, 2015 respectively, a decrease of $17,374. This resulted from a decrease in accounts payable and accrued expenses of $9,349 and a decrease in payables to related parties of $8,025.

Noncurrent liabilities were $92,115 and $88,713 as of December 31, 2016 and December 31, 2015, respectively, an increase of $3,402. Estimated ARO liabilities increased $3,402 due mainly to changes in the remaining years of obligation for the project, based on an independent analysis performed by an engineering firm hired by the project.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 144,105	$ 425,803	$ 561,625
Operating expenses	238,783	449,473	585,622
Operating Loss	(94,678)	(23,670)	(23,997)
Nonoperating revenue			
Investment income	895	24	117
Gain on sale of assets	64,047	-	-
Future recoverable costs	-	3,808	4,043
Nonoperating Revenue	64,942	3,832	4,160
Change in Net Position	$ (29,736)	$ (19,838)	$ (19,837)

Operating results

Electric revenues in 2017 were $144,105 versus $425,803 in 2016, which is a decrease of $281,698. This decrease resulted from a decrease in electric power generated and a decrease in capacity revenue due to the sale of asset. Electric revenues in 2016 were $425,803 versus $561,625 in 2015, which is a decrease of $135,822. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating expenses in 2017 were $238,783 versus $449,473 in 2016, which is a decrease of $210,690. The decrease in operating expenses in 2017 is due mainly to decreases in capacity expense, related party services, utilities and fuel from lower generation offset by increases in maintenance and professional services. Operating expenses in 2016 were $449,473 versus $585,622 in 2015, which is a decrease of $136,149. The decrease in operating expenses in 2016 is due mainly to decreases in capacity expense, related party services, utilities and fuel.

Investment income in 2017 was $895 versus $24 in 2016, which is an increase of $871. Investment income in 2016 was $24 versus $117 in 2015, which is a decrease of $93. Investment income for OMEGA JV1 is interest earned on checking account balances and short-term investments.

There were no distributions to participants of OMEGA JV1 in 2017 or 2016.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 375,437	$ 174,277
Receivables from participants	-	51,410
Inventory	-	40,283
Regulatory assets	-	38,432
Prepaid expenses	6,675	6,634
Total Current Assets	382,112	311,036
NONCURRENT ASSETS		
Electric Plant		
Electric generators	-	519,604
Fuel Tank	-	35,000
Accumulated depreciation	-	(440,957)
Net Electric Plant	-	113,647
Other Assets		
Board designated funds	92,115	92,115
Regulatory assets	-	92,612
Total Non-Current Assets	92,115	298,374
TOTAL ASSETS	$ 474,227	$ 609,410
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 22,633	$ 33,498
Payable to related parties	1,853	5,842
Total Current Liabilities	24,486	39,340
NONCURRENT LIABILITIES		
Asset retirement obligation	-	92,115
Total Noncurrent Liabilities	-	92,115
Total Liabilities	24,486	131,455
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	135,457	133,935
NET POSITION		
Net investment in capital assets	-	113,647
Unrestricted	314,284	230,373
Total Net Position	314,284	344,020
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 474,227	$ 609,410

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Electric revenue	$ 144,105	$ 425,803
OPERATING EXPENSES		
Related party services	41,675	46,810
Capacity	89,128	306,274
Depreciation	18,184	19,746
Accretion of asset retirement obligation	-	3,899
Fuel	403	2,376
Maintenance	24,948	5,699
Utilities	7,302	7,432
Insurance	12,119	24,620
Professional services	36,532	10,645
Other operating expenses	8,492	21,972
Total Operating Expenses	238,783	449,473
Operating Loss	(94,678)	(23,670)
NONOPERATING REVENUES		
Investment income	895	24
Gain on sale of assets	64,047	-
Future recoverable costs	-	3,808
Total Non-Operating Revenues	64,942	3,832
Change in net position	(29,736)	(19,838)
NET POSITION, Beginning of Year	344,020	363,858
NET POSITION, END OF YEAR	$ 314,284	$ 344,020

See accompanying notes to financial statements

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 328,484	$ 486,319
Cash paid to related parties for personnel services	(45,664)	(54,835)
Cash payments to suppliers and related parties for goods and services	(189,830)	(387,109)
Net Cash Provided by Operating Activities	92,990	44,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of assets	107,275	-
Net Cash Provided by Capital and Related Investing Activities	107,275	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	895	24
Net Cash Provided by Investing Activities	895	24
Net Change in Cash and Cash Equivalents	201,160	44,399
CASH AND CASH EQUIVALENTS, Beginning of Year	266,392	221,993
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 467,552	$ 266,392

See accompanying notes to financial statements

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (94,678)	$ (23,670)
Depreciation	18,184	19,746
Accretion of asset retirement obligation	-	3,899
Gain on sale of assets		
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	51,410	15,058
Inventory	403	2,376
Prepaid expenses	(41)	(1,118)
Accounts payable and accrued expenses	(10,865)	(9,349)
Payable to related parties	(3,989)	(8,025)
Regulatory assets	131,044	(497)
Deferred inflow of resources	1,522	45,955
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 92,990	$ 44,375
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 375,437	$ 174,277
Board designated funds	92,115	92,115
TOTAL CASH AND CASH EQUIVALENTS	$ 467,552	$ 266,392

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") was organized by 21 subdivisions of the State of Ohio (the "Participants") on April 1, 1992, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. On November 21, 2017 OMEGA JV1 sold its assets to the City of Cuyahoga Falls, Ohio. Its purpose was to provide a source of supplemental capacity to the Participants. The Participants were members of American Municipal Power, Inc. ("AMP") Northeast Area Service Group. The Participants were charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities (the "Project"), known as the Engle Units, from AMP in September 1992. The electric generating facilities consisted of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The Agreement continued until 60 days subsequent to the disposition of the Project, provided, however, that each Participant remained obligated to pay to OMEGA JV1 its respective share of the costs of termination, discontinuing, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV1.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place or deferred until a future period in which they will be recovered through rates.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV1 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV1 has adopted an investment policy. That policy follows the state statute for allowable investments

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Inventory

Inventory consists of fuel and is stated at the lower of first-in, first-out ("FIFO") cost or market.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

Electric Plant

Electric plant is recorded at cost. Depreciation is provided on the straight-line method from 15 to 30 years, based on the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations

OMEGA JV1 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Board Designated Funds

Due to new environmental regulations that may affect the operation of the units, OMEGA JV1's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation. While the asset obligation was relieved from the sale of the JV1 asset, OMEGA JV1's Board of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Participants has not yet approved the release of the funds designation.

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Regulatory Assets

OMEGA JV1 records regulatory assets (expenses to be recovered in rates in future periods). Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Regulatory assets consisted of the following at December 31:

	2017	2016
Future expenses related to fixed O&M	$ -	$ 38,432

	2017	2016
Future expenses related to asset retirement obligations	$ -	$ 92,612

Deferred Inflow of Resources

OMEGA JV1 records deferred inflows of resources (rates collected for expenses not yet incurred). Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Deferred inflow of resources consisted of the following at December 31:

	2017	2016
Rates collected for future expenses related to fixed O&M	$ 135,457	$ 133,935

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION (cont.)

Net Position

All property constituting OMEGA JV1 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Cuyahoga Falls	1,894	21.05%
Niles	1,593	17.71
Wadsworth	1,011	11.23
Hudson	934	10.38
Galion	588	6.53
Oberlin	497	5.52
Amherst	488	5.42
Hubbard	341	3.79
Columbiana	272	3.02
Wellington	265	2.94
Newton Falls	228	2.53
Monroeville	167	1.86
Lodi	155	1.72
Seville	135	1.50
Brewster	130	1.44
Grafton	105	1.17
Milan	64	0.71
Beach City	50	0.56
Prospect	45	0.50
Lucas	21	0.23
South Vienna	17	0.19
Totals	9,000	100.00%

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES

OMEGA JV1 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with OMEGA JV1's principal ongoing operations. The principal operating revenues of OMEGA JV1 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Electric revenue is recognized when earned as electric service is delivered. OMEGA JV1's rates for electric power are designed to cover annual operating costs. Rates are set annually by the Board of Participants. Periodically OMEGA JV1 will distribute earnings to its participants based on available operating cash. These distributions are approved by the Board of Participants.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows, since they are not available for use.

	Carrying Value as of December 31,		
	2017	2016	Risks
Checking	$ 467,552	$ 266,392	Custodial credit

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV1's deposits may not be returned to it. OMEGA JV1 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV1's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016, there were no deposits exposed to custodial credit risk.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

OMEGA JV1 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV1 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services.

As of December 31, 2017 and 2016, OMEGA JV1 had no investments with credit risk.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV1's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2017 and 2016, OMEGA JV1 had no investments with interest rate risk.

NOTE 3 – ELECTRIC PLANT

Electric plant activity for the years ended December 31 is as follows:

	2017				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	$ 519,604	-	(519,604)	-	$ -
Fuel tank	35,000	-	(35,000)	-	-
Total Electric Plant in Service	554,604	-	(554,604)	-	-
Less: Accumulated depreciation	(440,957)	-	440,957	-	-
Electric Plant, Net	$ 113,647	$ -	$ (113,647)	$ -	$ -

	2016				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	$ 519,604	-	-	-	$ 519,604
Fuel tank	35,000	-	-	-	35,000
Total Electric Plant in Service	554,604	-	-	-	554,604
Less: Accumulated depreciation	(421,211)	(19,746)	-	-	(440,957)
Electric Plant, Net	$ 133,393	$ (19,746)	$ -	$ -	$ 113,647

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

Under the terms of lease agreements, OMEGA JV1 has an obligation to remove electric generators from the leased sites on which the units are located and to perform certain restoration of the sites.

Asset retirement obligation activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 92,115	$ -	$ (92,115)	$ -

	2016			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 88,713	$ 3,899	$ (497)	$ 92,115

On November 21, 2017 OMEGA JV1 sold its assets to the City of Cuyahoga Falls, Ohio which subsequently relieved the existing asset retirement obligation. OMEGA JV1 previously updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2016. Asset retirement obligations were determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the unit. The accretion of the liability and amortization of the property and equipment was recognized over the estimated useful life of each unit.

NOTE 5 – NET POSITION

GASB No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 5 – NET POSITION (cont.)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The following calculation supports the net investment in capital assets:

	2017	2016
Plant in service	$ -	$ 554,604
Accumulated depreciation	-	(440,957)
Total Net Investment in Capital Assets	$ -	$ 113,647

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

OMEGA JV1 is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV1.

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. OMEGA JV1's engines were affected by this rule and were in compliance by May 2013.

Many metropolitan and industrialized counties in Ohio may be declared non-attainment with the 2015 ozone standard. This determination by U.S. EPA could result in mandatory local reductions of nitrogen oxides, volatile organic compounds and/or fine particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to help achieve compliance in down-wind, neighboring states. Ohio Environmental Protection Agency may restrict the hours of operation or require additional pollution control equipment if the Project is determined to impact non-attainment areas in Ohio or elsewhere.

NOTE 7 – RISK MANAGEMENT

OMEGA JV1 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. The expenses related to these services were $0 and $3,198 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV1's payables to AMP as of December 31, 2017 and 2016 were $1,577 and $5,045, respectively.

- As OMEGA JV1's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The cost of these services for the years ended December 31, 2017 and 2016 was $41,675 and $43,612, respectively. OMEGA JV1 had a payable to MESA for $79 and $797 at December 31, 2017 and 2016, respectively. OMEGA JV1 had a payable to AMP for $197 at December 31, 2017.

- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of $7,302 and $7,432 for the years ended December 31, 2017 and 2016, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1:

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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV1's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV1'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV1's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 2 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of OMEGA JV2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 OMEGA JV2's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV2 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV2's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV2 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments and net changes in cash resulting from operating, investing and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV2 as of December 31:

Condensed Statements of Net Position

	2017	2016	2015
Assets			
Electric plant and equipment, net of accumulated depreciation	$ 11,532,146	$ 12,883,041	$ 16,209,129
Regulatory assets	1,743,810	1,594,356	1,506,318
Current assets	4,077,842	4,780,252	2,727,073
Total Assets	$ 17,353,798	$ 19,257,649	$ 20,442,520
Net Position, Liabilities, and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 11,532,146	$ 12,883,041	$ 16,209,129
Net position - unrestricted	(1,488,978)	431,874	378,709
Current liabilities	1,107,418	1,153,744	1,009,302
Noncurrent liabilities	1,778,779	1,594,771	1,562,515
Deferred inflow of resources	4,424,433	3,194,219	1,282,865
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 17,353,798	$ 19,257,649	$ 20,442,520

2017 vs. 2016

Total assets were $17,353,798 and $19,257,649 on December 31, 2017 and December 31, 2016, respectively, a decrease of $1,903,851. The decrease in total assets was primarily due to a decrease in net capital assets from yearly depreciation. There were also decreases in receivables from related parties of $1,514,314 and receivables from participants of $102,603 resulting from cash collections during the year. The decreases were offset by an increase in construction work-in-progress of $1,886,298 for work being completed to extend the life of the generating units. Other increases include an increase in fuel inventory of $51,628, a change in ARO valuation of $39,902, and an increase in prepaid expenses of $9,103.

Electric plant and equipment, net of accumulated depreciation was $11,532,146 and $12,883,041 at year-end 2017 and 2016, respectively, a decrease of $1,350,895. This decrease was primarily the result of yearly depreciation of $3,274,720 offset by an increase in construction work-in-progress of $1,886,298. Additionally, there was an increase in ARO assets of $39,902. The cost associated with the ARO included in the cost of electric plant for 2017 was $840,600 versus $800,698 in 2016. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Regulatory assets were $1,743,810 and $1,594,356 at December 31, 2017 and 2016, respectively, an increase of $149,454. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. The increase mainly reflects higher incurred expenses as compared to rates charged and revised estimates of ARO assets and liabilities. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net position as the corresponding expense or revenue is realized.

Current assets were $4,077,842 and $4,780,252 as of December 31, 2017 and 2016, respectively, a decrease of $702,410. This decrease was primarily due to decreases in receivables from related parties of $1,514,314, in current regulatory assets of $142,058 and in receivables from participants of $102,603. These increases are partially offset by increases in operating cash of $995,834, in fuel inventory of $51,628, and in prepaid expenses of $9,103.

Total liabilities, deferred inflow of resources and net position were $17,353,798 and $19,257,649 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $1,903,851. This decrease was primarily the result of decreases in capital assets.

Total net position was $10,043,168 and $13,314,915 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $3,271,747. Net investment in capital assets was $11,532,146 and $12,883,041 at December 31, 2017 and December 31, 2016, respectively, a decrease of $1,350,895. This decrease resulted from the decrease in electric plant, net of accumulated depreciation of $3,277,095 offset by the increase in capital assets of $1,926,200. Unrestricted net position was ($1,488,978) and $431,874 at December 31, 2017 and December 31, 2016, respectively, a decrease of $1,920,852.

Noncurrent liabilities, comprised entirely of ARO liabilities were $1,778,779 and $1,594,771 at December 31, 2017 and December 31, 2016, respectively, an increase of $184,008. This was the result of yearly ARO accretion expense and an increase of projected ARO liability versus 2016 levels. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Current liabilities were $1,107,418 and $1,153,744 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $46,326. This decrease was primarily the result of decreased payable to related parties of $84,919 offset by increased accounts payable obligations to third party vendors of $38,593.

Deferred inflows of resources were $4,424,433 and $3,194,219 at December 31, 2017 and December 31, 2016, respectively, an increase of $1,230,214. This was mainly a result of an increase in overhaul maintenance amounts billed to participants intended to recover future expenses and capital improvements.

2016 vs. 2015

Total assets were $19,257,649 and $20,442,520 on December 31, 2016 and December 31, 2015, respectively, a decrease of $1,184,871. The decrease in total assets was due primarily to a decrease in net capital assets from yearly depreciation, a decrease in regulatory assets of $557,379, a decrease in fuel inventory of $79,429 due to a decrease in fuel cost per gallon purchased during the year. This decrease was offset by an increase in receivables from related parties of $1,712,568. Additionally, accounts receivable from participants increased $130,394 due to the timing of cash collections at the end of the year.

Electric plant and equipment, net of accumulated depreciation was $12,883,041 and $16,209,129 at year-end 2016 and 2015, respectively, a decrease of $3,326,088. This decrease was primarily the result of yearly depreciation. Additionally, there was a decrease in ARO assets of $47,576. The cost associated with the ARO included in the cost of electric plant for 2016 was $800,698 versus $848,275 in 2015. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Regulatory assets were $1,594,356 and $2,293,793 at December 31, 2016 and 2015, respectively, a decrease of $699,437. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. This decrease mainly reflects lower incurred expenses as compared to rates charged and revised estimates of ARO assets and liabilities. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net position as the corresponding expense or revenue is realized.

Current assets were $4,780,252 and $2,727,073 as of December 31, 2016 and 2015, respectively, an increase of $2,053,179. This increase was primarily due to an increase in receivable from related parties of $1,712,568 along with increases in operating cash of $973,854 and in receivables from participants of $130,394. These increases are partially offset by decreases in current regulatory assets of $645,417, in inventory of $79,429 due to the lower cost of fuel year over year and in prepaid expenses of $38,791.

Total liabilities, deferred inflow of resources and net position were $19,257,649 and $20,442,520 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $1,184,871. This decrease was primarily the result of decreases in capital assets.

Total net position was $13,314,915 and $16,587,838 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $3,272,923. Net investment in capital assets was $12,883,041 and $16,209,129 at December 31, 2016 and December 31, 2015, respectively, a decrease of $3,326,088. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Unrestricted net position was $431,874 and $378,709 at December 31, 2016 and December 31, 2015, respectively, an increase of $53,165.

Noncurrent liabilities, comprised entirely of ARO liabilities were $1,594,771 and $1,562,515 at December 31, 2016 and December 31, 2015, respectively, an increase of $32,256. This was the result of yearly ARO accretion expense and an increase of projected ARO liability versus 2015 levels. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Current liabilities were $1,153,744 and $1,009,302 as of December 31, 2016 and December 31, 2015, respectively, an increase of $144,442. This increase was primarily the result of increased accounts payable obligations to third party vendors.

Deferred inflows of resources were $3,194,219 and $1,282,865 at December 31, 2016 and December 31, 2015, respectively, an increase of $1,911,354. This was mainly a result of an increase in overhaul maintenance amounts billed to participants intended to recover future expenses and capital improvements.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 11,993,689	$ 13,038,501	$ 11,900,599
Operating expenses	15,345,577	16,388,271	15,156,501
Operating Loss	$ (3,351,888)	$ (3,349,770)	$ (3,255,902)
Nonoperating revenue			
Investment income	$ 7,368	$ 147	$ 697
Future recoverable costs	72,773	76,700	86,153
Nonoperating Revenue	80,141	76,847	86,850
Change in Net Position	$ (3,271,747)	$ (3,272,923)	$ (3,169,052)

OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating and capital expenses plus actual fuel expense. OMEGA JV2 revenues do not include any bond payments by OMEGA JV2 financing members in their rates. Financing participants make these payments directly to AMP.

Electric revenues in 2017 were $11,993,689 versus $13,038,501 in 2016, a decrease of $1,044,812, mainly due to lower fixed demand and capacity rates billed to the members. Capacity rates are determined by the regional transmission organization (RTO) auction process. Capacity revenue is passed back directly to members as a reduction of their bill and is shown as an expense to the project. Electric revenues in 2016 were $13,038,501 versus $11,900,599 in 2015, an increase of $1,137,902, mainly due to increases in higher rates billed to the members for capital improvements as well as higher capacity revenue earned by the project from the RTO.

OMEGA JV2 operating expenses in 2017 were $15,345,577 versus $16,388,271 in 2016, a decrease of $1,042,694. This decrease in expense was due to lower capacity expense of

$853,322, fuel expense of $306,517, related party services of $49,662, utility expense of $47,614 and insurance expense of $47,507. These decreases were partially offset by increases in professional services of $195,656 for third party contractor expenses related to the upgrade project and legal expenses. Other operating expenses also increased by $34,111. OMEGA JV2 operating expenses in 2016 were $16,388,271 versus $15,156,501 in 2015, an increase of $1,231,770. This increase in expense was due to increases in fuel and maintenance expenses of $395,840, in capacity expense of $350,654, in related party services of $233,900 and other expenses of $251,376 as the project operated more in the current year vs the prior year.

Investment income in 2017 was $7,368 versus $147 in 2016, an increase of $7,221. This increase in investment income is due to higher cash balances being held in interest bearing checking accounts year over year. Investment income in 2016 was $147 versus $697 in 2015, a decrease in $550.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 2,431,277	$ 1,435,443
Receivables from participants	1,097,808	1,200,411
Receivables from related parties	198,254	1,712,568
Regulatory assets	-	142,058
Inventory	187,182	135,554
Prepaid expenses	163,321	154,218
Total Current Assets	4,077,842	4,780,252
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric generators	60,251,458	60,211,556
Construction work in progress	1,886,298	-
Accumulated depreciation	(50,605,610)	(47,328,515)
Net Electric Plant and Equipment	11,532,146	12,883,041
Other Assets		
Regulatory assets	1,743,810	1,594,356
Total Non-Current Assets	13,275,956	14,477,397
TOTAL ASSETS	$ 17,353,798	$ 19,257,649
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 929,030	$ 890,437
Payable to related parties	178,388	263,307
Total Current Liabilities	1,107,418	1,153,744
NONCURRENT LIABILITIES		
Asset retirement obligation	1,778,779	1,594,771
Total Noncurrent Liabilities	1,778,779	1,594,771
Total Liabilities	2,886,197	2,748,515
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	4,424,433	3,194,219
NET POSITION		
Net investment in capital assets	11,532,146	12,883,041
Unrestricted	(1,488,978)	431,874
Total Net Position	10,043,168	13,314,915
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 17,353,798	$ 19,257,649

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Electric revenue	$ 11,993,689	$ 13,038,501
OPERATING EXPENSES		
Related party services	1,129,500	1,179,162
Capacity	8,731,441	9,584,773
Depreciation	3,274,720	3,281,129
Accretion of asset retirement obligation	69,799	68,494
Fuel	397,326	703,843
Maintenance	702,259	664,984
Utilities	98,624	146,238
Insurance	289,488	336,995
Professional services	229,133	33,477
Other operating expenses	423,287	389,176
Total Operating Expenses	15,345,577	16,388,271
Operating Loss	(3,351,888)	(3,349,770)
NONOPERATING REVENUES		
Investment income	7,368	147
Future recoverable costs	72,773	76,700
Total Non-Operating Revenues	80,141	76,847
Change in net position	(3,271,747)	(3,272,923)
NET POSITION, Beginning of Year	13,314,915	16,587,838
NET POSITION, END OF YEAR	$ 10,043,168	$ 13,314,915

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 13,326,506	$ 14,819,461
Cash paid to related parties for personnel services	(1,214,419)	(1,005,663)
Cash payments to suppliers and related parties for goods and services	(9,222,372)	(12,837,474)
Net Cash Provided by Operating Activities	2,889,715	976,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,901,249)	(2,617)
Net Cash (Used in) Capital and Related Investing Activities	(1,901,249)	(2,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	7,368	147
Net Cash Provided by Financing Activities	7,368	147
Net Change in Cash and Cash Equivalents	995,834	973,854
CASH AND CASH EQUIVALENTS, Beginning of Year	1,435,443	461,589
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,431,277	$ 1,435,443

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (3,351,888)	$ (3,349,770)
Depreciation	3,274,720	3,281,129
Accretion of asset retirement obligation	69,799	68,494
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	102,603	(130,394)
Receivables from related parties	1,514,314	(1,712,568)
Inventory	(51,628)	79,429
Prepaid expenses	(9,103)	38,791
Accounts payable and accrued expenses	38,593	(29,057)
Payable to related parties	(84,919)	173,499
Regulatory assets	157,010	645,417
Deferred inflow of resources	1,230,214	1,911,354
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,889,715	$ 976,324
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 2,431,277	$ 1,435,443
TOTAL CASH AND CASH EQUIVALENTS	$ 2,431,277	$ 1,435,443
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	$ (114,209)	$ 36,238

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 2 (“OMEGA JV2”) was organized by 36 subdivisions of the State of Ohio (the “Participants”) on November 21, 2000, pursuant to a Joint Venture Agreement (the “Agreement”) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code, and commenced operations on December 1, 2000. Its purpose is to provide backup and peaking capacity to the Participants. The Participants are members of American Municipal Power, Inc. (“AMP”). On December 27, 2001, OMEGA JV2 purchased 138.650 MW of electric plant generating units (the “Project”) from AMP. The Project is referred to as “distributed generation” because the units are sited near the Participants’ municipal electric systems where it is anticipated they will serve. The Project consists of two 32 MW used gas-fired turbines, one 11 MW used gas-fired turbine and 34 1.825 MW new and one 1.6 MW used oil-fired and diesel turbines. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV2 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV2.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place or deferred until a future period in which they will be recovered through rates.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Deposits and Investments (cont.)

OMEGA JV2 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV2 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Gains and losses on investment transactions are determined on a specific identification basis. Market values may have changed significantly after year end.

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectability, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Inventory

Inventory consists of fuel used to operate the Project and is stated at the lower of first-in, first-out (“FIFO”) cost or market.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Electric Plant and Equipment

Electric plant generating units and vehicles are recorded at cost. Depreciation is provided on the straight-line method over 20 years for generators and 3 years for vehicles, the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations

OMEGA JV2 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Regulatory Assets

OMEGA JV2 records regulatory assets (expenses to be recovered in rates in future periods). Regulatory assets include O&M expenses not yet recovered through billings to Participants. Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Regulatory assets consisted of the following at December 31:

	2017	2016
Future expenses related to fixed O&M	$ -	$ 142,058

	2017	2016
Future expenses related to asset retirement obligations	$ 1,743,810	$ 1,594,356

Deferred Inflow of Resources

OMEGA JV2 records deferred inflows of resources (rates collected for expenses not yet incurred). The balance consist of revenue related to amounts prepaid by the Participants for major repairs and maintenance and are recorded as income when the related expenditure occurs.

Deferred inflow of resources consisted of the following at December 31:

	2017	2016
Future expenses related to overhaul maintenance and fixed O&M	$ 4,424,433	$ 3,194,219

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Net Position

The Project is owned by the Participants in undivided interests held either directly or in trust. Due to potential legal impediments to their holding of direct interests in the Project, some participants purchase capacity and energy from the Project and have their undivided ownership interests held in trust for them by other Participants acting as trustees. The respective ownership shares are as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%
Bowling Green	19,198	14.32
Niles	15,400	11.48
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Mary’s	4,000	2.98
Montpelier	4,000	2.98
Shelby	2,536	1.89
Versailles	1,660	1.24
Edgerton	1,460	1.09
Yellow Springs	1,408	1.05
Oberlin	1,217	0.91
Pioneer	1,158	0.86
Seville	1,066	0.80
Grafton	1,056	0.79
Brewster	1,000	0.75
Monroeville	764	0.57
Milan	737	0.55
Oak Harbor	737	0.55
Elmore	364	0.27
Jackson Center	300	0.22
Napoleon	264	0.20
Lodi	218	0.16
Genoa	199	0.15
Pemberville	197	0.15
Lucas	161	0.12

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET POSITION (cont.)

Net Position (cont.)

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
South Vienna	123	0.09%
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.05
Arcanum	44	0.03
Custar	4	0.00*
Totals	134,081	100.00%
Reserves	4,569	
kW Capacity of the Project	138,650	

* Represents less than 0.01%

REVENUE AND EXPENSES

OMEGA JV2 distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV2's principal ongoing operations. The principal operating revenues of OMEGA JV2 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Electric revenue is recognized when earned as service is delivered. OMEGA JV2's rates for electric power are designed to cover annual operating costs, excluding depreciation. Rates are set annually by the Board of Participants.

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV2 financing participants for debt service are paid to AMP to retire the Project financing obligations. Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows, since they are not available for use.

	Carrying Value as of December 31		
	2017	2016	Risks
Checking	$ 2,431,277	$ 1,435,443	Custodial credit

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016, there were no deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV2 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV2 to invest in funds in accordance with the ORC. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services. As of December 31, 2017 and 2016, OMEGA JV2 had no investments with credit risk.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV2's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days. As of December 31, 2017 and 2016, OMEGA JV2 had no investments with interest rate risk.

NOTE 3 – ELECTRIC PLANT AND EQUIPMENT

Electric plant and equipment activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 60,211,556	$ -	$ 39,902	$ 60,251,458
Construction Work-in-Progress	-	1,886,298	-	1,886,298
Less: Accumulated depreciation	(47,328,515)	(3,274,720)	(2,375)	(50,605,610)
Electric Plant and Equipment, Net	$ 12,883,041	$ (1,388,422)	$ 37,527	$ 11,532,146

	2016			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 60,256,515	$ 2,617	$ (47,576)	$ 60,211,556
Less: Accumulated depreciation	(44,047,386)	(3,279,953)	(1,176)	(47,328,515)
Electric Plant and Equipment, Net	$ 16,209,129	$ (3,277,336)	$ (48,752)	$ 12,883,041

During 2017 and 2016, OMEGA JV2 recorded an adjustment to electric plant and equipment to reflect the revised estimate of the ARO (Note 4).

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

Under the terms of lease agreements, OMEGA JV2 has an obligation to remove electric generators from the leased sites where the units are located and to perform certain restoration activities at the sites.

Asset retirement obligation activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,594,771	$ 114,209	$ 69,799	$ 1,778,779

	2016			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,562,515	$ (36,238)	$ 68,494	$ 1,594,771

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit. OMEGA JV2 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2017 and 2016.

NOTE 5 – NET POSITION

GASB No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 5 – NET POSITION (cont.)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The following calculation supports the net investment in capital assets:

	2017	2016
Electric Plant, Equipment Assets, and Construction Work-in-Progress	$ 61,297,156	$ 59,410,858
Asset Retirement Obligation	840,600	800,698
Accumulated Depreciation	(50,605,610)	(47,328,515)
Total Net Investment in Capital Assets	$ 11,532,146	$ 12,883,041

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV2.

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. OMEGA JV2's engines were affected by this rule and were in compliance by May 2013.

Many metropolitan and industrialized counties in Ohio may be declared non-attainment with the 2015 ozone standard. This determination by U.S. EPA could result in mandatory local reductions of nitrogen oxides, volatile organic compounds and/or fine particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to help achieve compliance in down-wind, neighboring states. Ohio Environmental Protection Agency may restrict the hours of operation or require additional pollution control equipment for the portions of the Project that are determined to impact non-attainment areas in Ohio or elsewhere.

NOTE 7 – RISK MANAGEMENT

OMEGA JV2 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. The cost of these services for the years ended December 31, 2017 and 2016 was $188,260 and $195,975, respectively. OMEGA JV2's payables to AMP as of December 31, 2017 and 2016 were $89,224 and $219,156, respectively.

- As OMEGA JV2's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The expenses related to these services were $941,240 and $983,187 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV2 had a payable to MESA for $59,551 and $44,151 at December 31, 2017 and 2016, respectively. OMEGA JV2 had a payable to AMP for $29,613 at December 31, 2017.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $98,624 and $146,238 for these services for the years ended December 31, 2017 and 2016, respectively.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2:

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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV2's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV2'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV2's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 4 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of OMEGA JV4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 OMEGA JV4's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, 2016 and 2015
(Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV4 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV4's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV4 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing and non-capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV4 as of December 31:

Condensed Statement of Net Position

	2017	2016	2015
Assets			
Transmission line, net of accumulated depreciation	$ 787,998	$ 886,273	$ 984,548
Board designated funds	400,000	350,000	300,000
Current assets	316,880	428,787	430,258
Total Assets	$ 1,504,878	$ 1,665,060	$ 1,714,806
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 787,998	$ 886,273	$ 984,548
Net position - unrestricted	(224,899)	(52,549)	115,302
Current liabilities	24,925	12,136	12,159
Deferred inflow of resources	916,854	819,200	602,797
Total Net Position, Liablities and Deferred Inflow of Resources	$ 1,504,878	$ 1,665,060	$ 1,714,806

2017 vs. 2016

Total assets were $1,504,878 and $1,665,060 as of December 31, 2017 and December 31 2016, respectively, a decrease of $160,182. The decrease in 2017 total assets is due to the yearly depreciation of $98,275 along with decreases in operating cash of $93,229 and receivables of $18,678. These decreases are partially offset by an increase in Board designated funds by $50,000 for a yearly maintenance reserve contribution specifically earmarked for the decommissioning of power lines.

Utility plant, net of accumulated depreciation was $787,998 and $886,273 at year-end 2017 and 2016, respectively, a decrease of $98,275. The decrease was the result of yearly depreciation.

Current assets were $316,880 and $428,787 at December 31, 2017 and December 31, 2016, respectively, a decrease of $111,907. Cash and temporary investments decreased by $93,229 and receivables decreased by $18,678.

Total net position, liabilities, and deferred inflow of resources were $1,504,878 and $1,665,060 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $160,182.

Total net position was $563,099 and $833,724 at December 31, 2017 and December 31, 2016, respectively, a decrease of $270,625. Net investment in capital assets was $787,998 and $886,273 at December 31, 2017 and December 31, 2016, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was ($224,899) and ($52,549) at December 31, 2017 and December 31, 2016, respectively, a decrease of $172,350, which was due to distributions to members.

Current liabilities were $24,925 and $12,136 at December 31, 2017 and December 31, 2016, respectively, an increase of $12,789. This resulted from increases in accrued expenses of $11,006 and in payable to related parties of $1,783.

Deferred inflow of resources increased to $916,854 at December 31, 2017 from $819,200 at December 31, 2016, which is an increase of $97,654. This was a result of member billings in excess of operating and maintenance incurred.

2016 vs. 2015

Total assets were $1,665,060 and $1,714,806 as of December 31, 2016 and December 31 2015, respectively, a decrease of $49,746. The decrease in 2016 total assets is primarily due to yearly depreciation of $98,275 along with decreases in operating cash of $15,980 and prepaid expenses of $4,169. These decreases are partially offset by an increase in Board designated funds by $50,000 for a yearly maintenance reserve contribution specifically earmarked for the decommissioning of power lines and an increase in receivables from related parties by $18,678.

Utility plant, net of accumulated depreciation was $886,273 and $984,548 at year-end 2016 and 2015, respectively, a decrease of $98,275. The decrease was the result of yearly depreciation.

Current assets were $428,787 and $430,258 at December 31, 2016 and December 31, 2015, respectively, a decrease of $1,471. Cash and temporary investments decreased by $15,980 and prepaid expenses decreased by $4,169 offset by increases in accounts receivable from related parties of $18,678.

Total net position, liabilities, and deferred inflow of resources were $1,665,060 and $1,714,806 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $49,746.

Total net position was $833,724 and $1,099,850 at December 31, 2016 and December 31, 2015, respectively, a decrease of $266,126. Net investment in capital assets was $886,273 and $984,548 at December 31, 2016 and December 31, 2015, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was ($52,549) and $115,302 at December 31, 2016 and December 31, 2015, respectively, a decrease of $167,851, which was due to distributions to members.

Current liabilities were $12,136 and $12,159 at December 31, 2016 and December 31, 2015, respectively, a decrease of $23. This resulted from a decrease in payable to related parties offset by an increase in accrued expenses.

Deferred inflow of resources increased to $819,200 at December 31, 2016 from $602,797 at December 31, 2015, which is an increase of $216,403. This was a result of member billings in excess of operating and maintenance incurred.

The following table summarizes the changes in revenues, expenses and net position of OMEGA JV4 for the year ended December 31:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 172,346	$ 53,597	$ 68,102
Operating expenses	272,692	148,428	166,772
Operating Income (Loss)	(100,346)	(94,831)	(98,670)
Nonoperating revenues			
Investment income	2,072	1,056	395
Income (Loss) before Distributions	(98,274)	(93,775)	(98,275)
Distributions to participants	172,351	172,351	172,351
Change in Net Position	$ (270,625)	$ (266,126)	$ (270,626)

Total operating revenues in 2017 were $172,346 versus $53,597 in 2016 which is an increase of $118,749. Transmission member revenue billed year over year remained constant at $270,000, however 2017 operating expenses were greater than prior year due to increased tree trimming expense resulting in lower deferred inflow of resources from prior year and higher total operating revenues.

Operating expenses in 2017 were $272,692 versus $148,428 in 2016 which is an increase of $124,264. The increase in 2017 operating expenses is due mainly to increased tree trimming expenses of $121,500 along with increases in professional services of $22,272 and maintenance of $3,174. These increases are partially offset by a decrease in other operating expenses, excluding tree trimming expenses, of $18,274 and a decrease in MESA and AMP related party services of $4,408. Operating expenses in 2016 were $148,428 versus $166,772 in 2015 which was a decrease of $18,344.

Investment income in 2017 was $2,072 versus $1,056 in 2016, an increase of $1,016 due to an increase in the balance of investments earning interest. Investment income in 2016 was $1,056 versus $395 in 2015 which is an increase of $661 from increases in the balance of investments earning interest. Investment income for OMEGA JV4 is interest earned on checking account balances and short term investments.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 294,380	$ 387,609
Receivables	22,500	41,178
Total Current Assets	316,880	428,787
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,645,438	2,645,438
Accumulated depreciation	(1,857,440)	(1,759,165)
Net Utility Plant	787,998	886,273
Other Assets		
Board designated funds	400,000	350,000
Total Non-Current Assets	1,187,998	1,236,273
TOTAL ASSETS	$ 1,504,878	$ 1,665,060
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accrued expenses	$ 22,000	$ 10,994
Payable to related parties	2,925	1,142
Total Current Liabilities	24,925	12,136
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	916,854	819,200
NET POSITION		
Net investment in capital assets	787,998	886,273
Unrestricted	(224,899)	(52,549)
Total Net Position	563,099	833,724
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 1,504,878	$ 1,665,060

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Transmission revenue	$ 172,346	$ 53,597
OPERATING EXPENSES		
Related party personnel services	16,196	20,604
Depreciation	98,275	98,275
Maintenance	3,174	-
Professional services	33,234	10,962
Other operating expenses	121,813	18,587
Total Operating Expenses	272,692	148,428
Operating Loss	(100,346)	(94,831)
NONOPERATING REVENUES		
Investment income	2,072	1,056
Loss before Distributions	(98,274)	(93,775)
DISTRIBUTIONS TO PARTICIPANTS		
City of Bryan	(72,387)	(72,387)
Village of Pioneer	(51,705)	(51,705)
Village of Montpelier	(43,088)	(43,088)
Village of Edgerton	(5,171)	(5,171)
Total Distributions	(172,351)	(172,351)
Change in net position	(270,625)	(266,126)
NET POSITION, Beginning of Year	833,724	1,099,850
NET POSITION, END OF YEAR	$ 563,099	$ 833,724

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 288,678	$ 251,322
Cash paid to related parties for personnel services	(14,413)	(20,873)
Cash paid to suppliers and related parties for goods and services	(147,215)	(25,134)
Net Cash Provided by Operating Activities	127,050	205,315
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(172,351)	(172,351)
Net Cash Used in Noncapital Financing Activities	(172,351)	(172,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	2,072	1,056
Net Cash Provided by Financing Activities	2,072	1,056
Net Change in Cash and Cash Equivalents	(43,229)	34,020
CASH AND CASH EQUIVALENTS, Beginning of Year	737,609	703,589
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 694,380	$ 737,609

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (100,346)	$ (94,831)
Depreciation	98,275	98,275
Changes in assets, liabilities and deferred inflow of resources		
Receivables	18,678	(18,678)
Prepaid expenses	-	4,169
Accrued expenses	11,006	246
Payable to related parties	1,783	(269)
Deferred inflow of resources	97,654	216,403
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 127,050	$ 205,315
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 294,380	$ 387,609
Board designated funds	400,000	350,000
TOTAL CASH AND CASH EQUIVALENTS	$ 694,380	$ 737,609

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") was organized by four subdivisions of the State of Ohio (the "Participants") on December 1, 1995, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Williams County Transmission Project (the "Project"). The Participants are members of American Municipal Power, Inc. ("AMP"). OMEGA JV4 owns and operates the Project. The Project consists of a 69 KV three-phase transmission line located in Williams County, Ohio. During 2017 and 2016 OMEGA JV4 derived a majority of its revenue from one customer. The Agreement continues until 60 days subsequent to the termination or disposition of the Project; provided, however, that each Participant shall remain obligated to pay to OMEGA JV4 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV4.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place or deferred until a future period in which they will be recovered through rates.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV4 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Deposits and Investments (cont.)

OMEGA JV4 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Board Designated Funds

OMEGA JV4's Board of Participants have designated funds for the potential decommissioning of transmission lines.

Utility Plant

The transmission line is recorded at cost. Depreciation is provided on the straight-line method from 19 to 30 years, based on the estimated useful life of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When utility plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

The transmission line is assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Asset Retirement Obligations

OMEGA JV4 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV4 has determined that there is no asset retirement obligation associated with the transmission line or utility poles. OMEGA JV4 determined there were no legal requirements currently in place that would mandate special disposal of the utility poles and transmission lines as they are replaced.

Deferred Inflow of Resources

OMEGA JV4 records deferred inflows of resources (rates collected for expenses not yet incurred).

Net Position

All property constituting OMEGA JV4 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

Municipality	Percent Project Ownership and Entitlement
Bryan	42.00%
Pioneer	30.00
Montpelier	25.00
Edgerton	3.00
Totals	100.00%

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUE AND EXPENSES

OMEGA JV4 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with OMEGA JV4's principal ongoing operations. The principal operating revenues of OMEGA JV4 are charges to participants for transmission services. Operating expenses include the cost of transmission services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Operating revenues are recognized when transmission service is delivered. OMEGA JV4's rates for transmission service are set by contracts with the customers. Periodically OMEGA JV4 will distribute earnings to its participants based on available operating cash. These distributions are approved by the Board of Participants.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows, since they are not available for use.

	Carrying Value as of December 31,		
	2017	2016	Risks
Checking	$ 694,380	$ 737,609	Custodial credit

Custodial Credit Risk

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016, there were no deposits exposed to custodial credit risk.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV4 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV4 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services. As of December 31, 2017 and 2016, OMEGA JV4 had no investments with credit risk.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV4's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days. As of December 31, 2017 and 2016, OMEGA JV4 had no investments with interest rate risk.

NOTE 3 – UTILITY PLANT

Utility plant activity for the years ended December 31 is as follows:

	2017		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,645,438	$ -	$ 2,645,438
Less: Accumulated depreciation	(1,759,165)	(98,275)	(1,857,440)
Utility Plant, Net	$ 886,273	$ (98,275)	$ 787,998

	2016		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,645,438	$ -	$ 2,645,438
Less: Accumulated depreciation	(1,660,890)	(98,275)	(1,759,165)
Utility Plant, Net	$ 984,548	$ (98,275)	$ 886,273

NOTE 4 – NET POSITION

GASB No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The following calculation supports the net investment in capital assets:

	2017	2016
Plant in service	$ 2,645,438	$ 2,645,438
Accumulated depreciation	(1,857,440)	(1,759,165)
Total Net Investment in Capital Assets	$ 787,998	$ 886,273

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV4.

NOTE 6 – SIGNIFICANT CUSTOMERS

Transmission revenue in 2017 and 2016 was 100% derived from a nonparticipant. The contract with the nonparticipant can be cancelled on or after October 31, 2009 upon written notice six months prior to cancellation. As of December 31, 2017, no notice of cancellation had been received. A decision by the nonparticipant to purchase transmission service from a different provider would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

NOTE 7 – RISK MANAGEMENT

OMEGA JV4 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. OMEGA JV4 is self-insured for property damage risks related to its transmission line. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The expenses related to these services were $313 and $425 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV4 had a payable of $313 due to AMP as of December 31, 2017 and $425 as of December 31, 2016.

- As OMEGA JV4's agent, AMP entered into an agreement with the Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services to OMEGA JV4. AMP may also provide these services. The expenses related to these services were $16,196 and $20,179 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV4 had a payable to MESA of $324 and $717 at December 31, 2017 and 2016, respectively. OMEGA JV4 had a payable to AMP for $2,288 at December 31, 2017.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4:

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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV4's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV4'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV4's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of OMEGA JV5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 OMEGA JV5's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, 2016 and 2015
(Unaudited)

Financial Statement Overview
This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV5 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV5's basic financial statements include the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position provides information about the nature and amount of assets and deferred outflows of resources and liabilities and deferred outflow of resources of OMEGA JV5 as of the end of the year. The statement of revenues, expenses and changes in net position reports revenues and expenses and the change in net position for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and capital and related financing activities.

Financial Highlights
The following table summarizes the financial position of OMEGA JV5 as of December 31:

	2017	2016	2015
Assets			
Current assets	$ 13,609,416	$ 11,011,850	$ 5,527,587
Restricted assets - noncurrent	7,853,537	6,194,724	3,034,597
Electric plant and land	99,689,071	104,169,732	109,086,709
Other assets	1,792,644	2,567,268	3,520,069
Total assets	$ 122,944,668	$ 123,943,574	$ 121,168,962
Net Position, Liabilities, and Deferred Inflow of Resources			
Net investment in capital assets	$ 26,731,995	$ 27,060,500	$ 28,746,334
Net position - restricted	7,853,537	6,194,724	3,034,597
Net position - unrestricted	(31,597,645)	(30,267,337)	(28,793,044)
Net beneficial interest certificates	72,957,076	77,109,232	30,537,188
Note payable	-	-	49,803,187
Current liabilities	1,453,011	4,106,494	2,460,627
Noncurrent liabilities	483,404	558,469	414,986
Deferred inflow of resources	45,063,290	39,181,492	34,965,087
Total net position, liabilities, and deferred inflow of resources	$ 122,944,668	$ 123,943,574	$ 121,168,962

2017 vs. 2016

Total assets were $122,944,668 and $123,943,574 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $998,906. The decrease is due to yearly depreciation of $4,734,238 along with decreases in receivables from related parties of $1,960,237 and in regulatory assets of $760,797 due to expenses incurred less than revenue collected. The decrease was offset by increases in cash and temporary investments of $3,925,279, in restricted assets – funds held by trustee of $1,658,813, and in receivables from participants of $620,723.

Total current assets were $13,609,416 and $11,011,850 as of December 31, 2017 and December 31, 2016, respectively, an increase of $2,597,566. This increase is due to increases in cash and temporary investments of $3,925,279, in receivables from participants of $620,723, and in accrued interest of $51,055 offset by a decrease of $1,960,237 in receivables from related parties and decreases in inventory and prepaid assets of $27,807 and $11,447, respectively.

Utility plant assets were $99,689,071 and $104,169,732 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $4,480,661. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,734,238 offset by an increase in electric plant in service of $253,577. In 2017, OMEGA JV5 has an estimated ARO asset of $313,314. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Noncurrent restricted assets were $7,853,537 and $6,194,724 as of December 31, 2017 and December 31, 2016, respectively, an increase of $1,658,813 due to debt service collections from the 2016 beneficial interest certificate issuance. These assets at December 31, 2017 represent amounts in the Reserve and Contingency Fund and Bond Redemption Fund that are held in accordance with the 2001 Certificates and 2016 Certificates bond indentures.

Other assets were $1,792,644 and $2,567,268 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $774,624. The decrease is mainly due to a decrease of $760,797 in regulatory assets due to fixed operating expenses incurred for the year lower than revenues collected and a decrease in prepaid bond insurance of $13,827 for amortization.

Total net position, liabilities, and deferred inflow of resources were $122,944,668 and $123,943,574 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $998,906.

Net position was $2,987,887 at December 31, 2017 and December 31, 2016.

Net Beneficial Interest Certificates were $72,957,076 and $77,109,232 at December 31, 2017 and December 31, 2016, respectively, a decrease of $4,152,156. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization. In January 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of $49,745,000. The purpose of the 2016 refunding was to pay in full the promissory note payable to AMP. For the 2001 Certificates, the accreted interest on the zero coupon bonds will begin to become due in 2025.

Current liabilities were $1,453,011 and $4,106,494 at December 31, 2017 and December 31, 2016, respectively, a decrease of $2,653,483. This decrease was mainly due to a decrease of $2,295,810 in payables to related parties for certain engineering, finance, administration and other services and a decrease in accounts payable and accrued expenses of $371,474.

Noncurrent liabilities were $483,404 and $558,469 at December 31, 2017 and December 31, 2016, respectively, a decrease of $75,065. This was the result of a decrease in accrued license fees of $75,065. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2017 and 2016. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $45,063,290 and $39,181,492 as of December 31, 2017 and December 31, 2016, respectively an increase of $5,881,798. This was primarily the result of revenue for variable generation expenses received in excess of expense along with revenue received for OMEGA JV5 refinancing interest and trust covenant.

2016 vs. 2015

Total assets were $123,943,574 and $121,168,962 as of December 31, 2016 and December 31, 2015, respectively, an increase of $2,774,612. The increase was due to increases in cash and temporary investments of $4,364,569, restricted assets – funds held by trustee of $3,160,127, and receivables from related parties of $1,948,075 offset by yearly depreciation which reduced the total asset balance by $4,916,977 along with decreases in regulatory assets of $922,599 due to expenses incurred less than revenue collected and lower receivables from participants.

Total current assets were $11,011,850 and $5,527,587 as of December 31, 2016 and December 31, 2015, respectively, an increase of $5,484,263. This is mainly due to an increase of $4,364,569 in cash and temporary investments and receivables from related parties of $1,948,075 offset by a decrease of $725,087 in receivables from participants.

Utility plant assets were $104,169,732 and $109,086,709 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $4,916,977. Utility plant assets decreased due to yearly depreciation recorded during the year. In 2016, OMEGA JV5 estimated an ARO asset of $313,314. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2016. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2016.

Noncurrent restricted assets were $6,194,724 and $3,034,597 as of December 31, 2016 and December 31, 2015, respectively, an increase of $3,160,127 due to debt service collections from the 2016 beneficial interest certificate issuance. These assets at

December 31, 2016 represent amounts in the Reserve and Contingency Fund that are held in accordance with the 2001 Certificates and 2016 Certificates bond indentures.

Other assets were $2,567,268 and $3,520,069 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $952,801. The decrease is mainly due to a decrease of $922,599 in regulatory assets due to fixed operating expenses incurred for the year lower than revenues collected and a decrease in prepaid bond insurance of $30,202 for amortization.

Total net position, liabilities, and deferred inflow of resources were $123,943,574 and $121,168,962 as of December 31, 2016 and December 31, 2015, respectively, an increase of $2,774,612.

Net position was $2,987,887 at December 31, 2016 and December 31, 2015.

Net Beneficial Interest Certificates were $77,109,232 and $30,537,188 at December 31, 2016 and December 31, 2015, respectively, an increase of $46,572,004. The increase is due to the OMEGA JV5 issuance of 2016 Beneficial Interest Certificates ("2016 Certificates") in January 2016 in the amount of $49,745,000. The purpose of the 2016 refunding is to pay in full the promissory note payable to AMP. For the 2001 Certificates, the accreted interest on the zero coupon bonds will begin to become due in 2025.

Note payable was $0 and $49,803,187 at December 31, 2016 and December 31, 2015, respectively, a decrease of $49,803,187. OMEGA JV5 issued 2016 Certificates to pay in full the promissory note in January 2016.

Current liabilities were $4,106,494 and $2,460,627 at December 31, 2016 and December 31, 2015, respectively, an increase of $1,645,867. This increase was mainly due to an increase in payables to related parties for certain engineering, finance, administration and other services.

Noncurrent liabilities were $558,469 and $414,986 at December 31, 2016 and December 31, 2015, respectively, an increase of $143,483. This was the result of increases in accrued license fees of $139,124 and asset retirement obligation of $4,359. In 2016, OMEGA JV5 estimated an ARO liability and corresponding asset of $317,673, an increase of $4,359 compared to the ending balance of $313,314 at December 31, 2015. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2016.

Deferred inflow of resources was $39,181,492 and $34,965,087 as of December 31, 2016 and December 31, 2015, respectively an increase of $4,216,405. This was primarily the result of revenue for variable generation expenses received in excess of expense along with revenue received for OMEGA JV5 refinancing interest and trust covenant.

The following table summarizes the changes in revenues, expenses and net position of OMEGA JV5 for the years ended December 31:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 18,353,035	$ 20,869,026	$ 24,424,933
Operating expenses	16,006,989	18,285,607	22,215,343
Operating income	2,346,046	2,583,419	2,209,590
Nonoperating income and expense			
Investment income (loss)	189,208	(94,661)	26,774
Interest expense	(2,521,427)	(2,237,266)	(2,222,537)
Bond issuance costs	-	(221,290)	-
Amortization	(13,827)	(30,202)	(13,827)
Total nonoperating income/(expense)	(2,346,046)	(2,583,419)	(2,209,590)
Change in net position	$ -	$ -	$ -

Operating results

Operating revenues were $18,353,035 in 2017, a decrease of $2,515,991 from 2016 operating revenue of $20,869,026. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses and debt service, if any. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating revenues were $20,869,026 in 2016, a decrease of $3,555,907 from 2015 operating revenue of $24,424,933. The decrease in revenues was due to decreases in revenue related to renewable energy certificates (REC) sales to a third party and capacity sales to the RTO.

Operating expenses were $16,006,989 in 2017, a decrease of $2,278,618 from 2016 operating expenses of $18,285,607. This decrease was the result of lower capacity expense of $1,043,678, lower purchased power expense of $858,745, a decrease in related party services of $407,726 and annual depreciation expense of $189,068 offset by an increase in maintenance expense of $241,280.

Operating expenses were $18,285,607 in 2016, a decrease of $3,929,736 from 2015 operating expenses of $22,215,343. This decrease was primarily the result of lower purchased power expense of $3,624,319. Additionally, the project experienced a decrease of $275,974 in maintenance due to major maintenance performed in 2015 that was not performed in 2014.

Non-Operating expense totaled $2,346,046 in 2017 and $2,583,419 in 2016, respectively, a decrease of $237,373. This decrease was caused primarily by the 2016 bond issuance costs related to the 2016 Beneficial Interest Certificate issuance.

Non-Operating expense totaled $2,583,419 in 2016 and $2,209,590 in 2015, respectively, an increase of $373,829. This increase was caused primarily by the bond issuance costs related to the 2016 Beneficial Interest Certificate issuance.

There were no distributions to participants in the past five years.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 11,224,036	$ 7,298,757
Receivables from participants	2,107,272	1,486,549
Receivables from related parties	13,250	1,973,487
Accrued interest receivable	114,809	63,754
Inventory	60,976	88,783
Prepaid expenses	89,073	100,520
Total Current Assets	13,609,416	11,011,850
NONCURRENT ASSETS		
Restricted Assets		
Restricted assets - funds held by trustee	7,853,537	6,194,724
Electric Plant and Land		
Electric plant in service	186,919,294	186,665,717
Land	431,881	431,881
Accumulated depreciation	(87,662,104)	(82,927,866)
Net Electric Plant and Equipment	99,689,071	104,169,732
Other Assets		
Prepaid bond insurance, net	180,899	194,726
Regulatory assets	1,611,745	2,372,542
Total Non-Current Assets	109,335,252	112,931,724
TOTAL ASSETS	$ 122,944,668	$ 123,943,574
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,150,283	$ 1,521,757
Payables to related parties	249,455	2,545,265
2016 beneficial interest certificiates - current	6,050,000	5,960,000
Accrued interest	53,273	39,472
Total Current Liabilities	7,503,011	10,066,494
NONCURRENT LIABILITIES		
Accrued license fees	165,731	240,796
2016 beneficial interest certificiates	32,850,000	38,900,000
2001 beneficial interest certificiates	56,125,000	56,125,000
Unamortized discount	(22,067,924)	(23,875,768)
Asset retirement obligation	317,673	317,673
Total Noncurrent Liabilities	67,390,480	71,707,701
Total Liabilities	74,893,491	81,774,195
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	45,063,290	39,181,492
TOTAL DEFERRED INFLOW OF RESOURCES	45,063,290	39,181,492
NET POSITION		
Net investment in capital assets	26,731,995	27,060,500
Restricted	7,853,537	6,194,724
Unrestricted	(31,597,645)	(30,267,337)
Total Net Position	2,987,887	2,987,887
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 122,944,668	$ 123,943,574

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Electric revenue	$ 18,353,035	$ 20,869,026
OPERATING EXPENSES		
Purchased power	2,956,438	3,815,183
Capacity	2,304,386	3,348,064
Related party services	1,959,033	2,366,759
Depreciation	4,734,238	4,923,306
Maintenance	1,496,220	1,254,940
Utilities	140,065	193,022
Insurance	227,705	360,776
Professional services	29,541	67,283
Payment in lieu of taxes	840,000	840,000
Other operating expenses	1,319,363	1,116,274
Total Operating Expenses	16,006,989	18,285,607
Operating Income	2,346,046	2,583,419
NONOPERATING INCOME AND EXPENSE		
Investment income (loss)	189,208	(94,661)
Interest expense	(2,521,427)	(2,237,266)
Amortization of insurance	(13,827)	(30,202)
Bond issuance costs	-	(221,290)
Total Non-Operating Expense	(2,346,046)	(2,583,419)
Change in net position	-	-
NET POSITION, Beginning of Year	2,987,887	2,987,887
NET POSITION, END OF YEAR	$ 2,987,887	$ 2,987,887

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 26,979,833	$ 27,076,249
Cash paid to related parties for personnel services	(4,254,843)	(265,853)
Cash payments to suppliers and related parties for goods and services	(10,365,692)	(13,538,822)
Net Cash Provided by Operating Activities	12,359,298	13,271,574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from debt issuance	-	49,745,000
Principal payments on debt issuance	(5,960,000)	(4,885,000)
Interest payments on debt issuance	(699,782)	(638,462)
Acquistion of capital assets	(253,577)	-
Principal payments on note payable to related party	-	(49,803,187)
Interest payments on note payable to related party	-	(70,568)
Net Cash Used in Capital and Related Investing Activities	(6,913,359)	(5,652,217)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,658,813)	(3,160,127)
Investment income received (loss)	138,153	(94,661)
Net Cash Provided by (Used in) Investing Activities	(1,520,660)	(3,254,788)
Net Change in Cash and Cash Equivalents	3,925,279	4,364,569
CASH AND CASH EQUIVALENTS, Beginning of Year	7,298,757	2,934,188
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,224,036	$ 7,298,757

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 2,346,046	$ 2,583,419
Noncash items in operating income		
Depreciation	4,734,238	4,923,306
Changes in assets and liabilities		
Receivables from participants	(620,723)	725,087
Receivables from related parties	1,960,237	(1,948,075)
Regulatory assets	760,797	922,599
Inventory	27,807	9,330
Prepaid expenses	11,447	93,984
Deferred inflow of resources	5,881,798	4,216,405
Accounts payable and accrued expenses	(371,474)	(494,511)
Payable to related parties	(2,295,810)	2,100,906
Accrued license fees	(75,065)	139,124
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,359,298	$ 13,271,574
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 11,224,036	$ 7,298,757
Funds held by trustee	7,853,537	6,194,724
Total Cash Accounts	19,077,573	13,493,481
Less: Non-cash equivalents	(7,853,537)	(6,194,724)
TOTAL CASH AND CASH EQUIVALENTS	$ 11,224,036	$ 7,298,757

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") was organized by 42 subdivisions of the State of Ohio (the "Participants") on April 20, 1993, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose was to undertake the Belleville Hydroelectric Project (the "Project"). The Participants are members of American Municipal Power, Inc. ("AMP"). OMEGA JV5 constructed and owns and operates the Project. The Project operations consist of:

- The Belleville hydroelectric generating plant and associated transmission facilities ("Belleville Hydroelectric Facilities");
- Backup generation facilities, including contracts for the output thereof; and
- Power purchased on behalf of OMEGA JV5 participants.

The Belleville Hydroelectric Facilities consists of a run-of-the-river hydroelectric plant designed for a capacity of 42 megawatts and approximately 26.5 miles of 138-kilovolt transmission facilities. The plant is located in West Virginia, on the Ohio River, at the Belleville Locks and Dam.

The Project was constructed with proceeds from the issuance of beneficial interest certificates (the "Certificates"). The Certificates evidence the obligation of the Participants to pay for the cost of the Project from revenues of their electric systems. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and thereafter until the date the principal of, premium, if any, and interest on all bonds have been paid or deemed paid in accordance with any applicable trust indenture; provided, however, that each Participant shall remain obligated to pay to OMEGA JV5 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV5.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place or deferred until a future period in which they will be recovered through rates.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW/OUTFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV5 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV5 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Inventory

Inventory consists of fuel and is stated at the lower of first-in, first-out (“FIFO”) cost or market.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

***ASSETS, LIABILITIES, DEFERRED INFLOW/OUTFLOW OF RESOURCES AND NET POSITION** (cont.)*

OMEGA JV5 Plant

OMEGA JV5 plant is recorded at cost and consists of the hydroelectric plant, equipment, transmission facilities, and backup generating units. Depreciation is provided on the straight-line method over the estimated useful life of the assets ranging from 3 to 40 years. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When OMEGA JV5 plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

OMEGA JV5 plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service of the capital asset may have significantly and unexpectedly declined. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Regulatory Assets

OMEGA JV5 records regulatory assets (expenses to be recovered in rates in future periods).

Deferred Inflow of Resources

OMEGA JV5 records deferred inflows of resources (rates collected for expenses not yet incurred). In addition, consist of revenue related to amounts prepaid by the Participants for operation and maintenance expenses and are recorded as income when the related expenditure occurs.

Long-Term Obligations

Long-term debt and other obligations are reported as OMEGA JV5 liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW/OUTFLOW OF RESOURCES AND NET POSITION (cont.)

Net Position

All property constituting OMEGA JV5 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Cuyahoga Falls	7,000	16.67%
Bowling Green	6,608	15.73
Niles	4,463	10.63
Napoleon	3,088	7.35
Jackson	3,000	7.14
Hudson	2,388	5.69
Wadsworth	2,360	5.62
Oberlin	1,270	3.02
New Bremen	1,000	2.38
Bryan	919	2.19
Hubbard	871	2.07
Montpelier	850	2.02
Minster	837	1.99
Columbiana	696	1.66
Wellington	679	1.62
Versailles	460	1.10
Monroeville	427	1.02
Oak Harbor	396	0.94
Lodi	395	0.94
Pemberville	386	0.92
Edgerton	385	0.92

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW/OUTFLOW OF RESOURCES AND NET POSITION (cont.)

Net Position *(cont.)*

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Arcanum	352	0.84%
Seville	344	0.82
Brewster	333	0.79
Pioneer	321	0.76
Genoa	288	0.69
Jackson Center	281	0.67
Grafton	269	0.64
Elmore	244	0.58
Woodville	209	0.50
Milan	163	0.39
Bradner	145	0.35
Beach City	128	0.30
Prospect	115	0.27
Haskins	56	0.13
Lucas	54	0.13
Arcadia	46	0.11
South Vienna	45	0.11
Waynesfield	35	0.08
Eldorado	35	0.08
Republic	35	0.08
Custar	24	0.06
Totals	42,000	100.00%

REVENUE AND EXPENSES

OMEGA JV5 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV5's principal ongoing operations. The principal operating revenues of OMEGA JV5 are charges to participants for sales of electric power. Operating expenses include the cost of generation and transmission, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues are recognized when earned as service is delivered. OMEGA JV5's rates for electric power are designed to cover annual operating costs except depreciation. Debt service is billed separately to the Participants. Rates are set annually by the Board of Participants. Periodically OMEGA JV5 will distribute earnings to its participants based on available operating and rate stabilization cash. These distributions are approved by the Board of Participants. No distributions were made in 2017 or 2016.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying Value as of December 31, 2017	Carrying Value as of December 31, 2016	Risks
Checking/Money Market Funds	$ 14,492,660	$ 10,114,905	Custodial credit
Government Money Market Mutual Fund	4,584,913	3,378,576	Credit, interest rate
Total Cash, Cash Equivalents, and Investments	$ 19,077,573	$ 13,493,481	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2017 and 2016.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5's deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016, there were no deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, OMEGA JV5 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. OMEGA JV5's investment policy does not address this risk. As of December 31, 2017 and 2016, there were no investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV5 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services at the time of purchase.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

For years ended December 31, 2017 and 2016, OMEGA JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	Aaa

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OMEGA JV5's investment policy requires diversification of investments to limit losses from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security, except for US Treasury and fixed rate non-callable Federal Agency securities.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV5's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

OMEGA JV5 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 or liabilities as of the reporting date; Level 2 inputs are significant other observable inputs other than quoted prices in active markets included in Level 1; Level 3 inputs are the lowest priority unobservable inputs.

OMEGA JV5 has the following recurring fair value measurements for the years ended December 31:

		Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
2017	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 4,584,913
2016	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 3,378,579

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment Fund, and Reserve and Contingency Funds, which are established and maintained pursuant to the fund agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets in the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating expenses to the extent that other operating funds are not sufficient; (iii) to pay for major repairs and maintenance; and (iv) to provide for the decommissioning of the Project.

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2017 and 2016, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

The following calculation supports the amount of restricted Net Position:

	2017	2016
Restricted Assets		
Certificate payment fund	$ 2,988,587	$ 3,094,909
Reserve and contingency fund	3,268,624	3,099,815
Bond redemption fund	1,596,326	-
Total restricted assets	$ 7,853,537	$ 6,194,724

NOTE 4 – UTILITY PLANT

Utility plant activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric Plant and Equipment	$ 186,665,717	253,577	-	$ 186,919,294
Land	431,881	-	-	431,881
Total Utility Plant in Service	187,097,598	253,577	-	187,351,175
Less: Accumulated depreciation	(82,927,866)	(4,734,238)	-	(87,662,104)
Utility Plant, Net	$ 104,169,732	$(4,480,661)	$ -	$ 99,689,071

	2016			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric Plant and Equipment	$ 186,665,717	-	-	$ 186,665,717
Land	431,881	-	-	431,881
Total Utility Plant in Service	187,097,598	-	-	187,097,598
Less: Accumulated depreciation	(78,010,889)	(4,923,306)	6,329	(82,927,866)
Utility Plant, Net	$ 109,086,709	$(4,923,306)	$ 6,329	$ 104,169,732

NOTE 5 – PREPAID BOND INSURANCE

In connection with the issuance of the 2001 Certificates, OMEGA JV5 paid $407,000 on behalf of the Participants for municipal bond insurance. In consideration for the payment of the premium and subject to the terms of the policy, the insurance company agrees to pay to the State Street Bank and Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and interest on the 2001 Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost is being amortized over the maturities of the 2001 Certificates.

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

Under the terms of lease agreements, OMEGA JV5 has an obligation to remove electric generators from the leased sites on which the units are located and to perform certain restoration of the sites.

Asset retirement obligation activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 317,673	$ -	$ -	$ 317,673

	2016			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 313,314	$ 6,329	$ (1,970)	$ 317,673

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the unit. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE

2016 Beneficial Interest Certificates

On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (“2016 Certificates”) in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2015 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Principal and interest on the 2016 Certificates are payable in monthly installments payable on the first business day of the month thereafter until the final maturity date of February 1, 2024. The 2016 Certificates bear interest at a variable rate, which is 70% of LIBOR plus a 59 basis point spread, and resets on a monthly basis.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE (cont.)

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2016 Certificates at December 31, 2017 are as follows:

Maturity date	Principal Amount	Interest Rate
2018	$ 6,050,000	
2019	$ 6,150,000	
2020	$ 6,250,000	Variable
2021	$ 6,345,000	
2022	$ 6,450,000	
2023-2024	$ 7,655,000	
	$ 38,900,000	

On March 18, 2016, OMEGA JV5 entered into a five year interest rate swap agreement effective April 1, 2016 (the "Swap") between U.S. Bank National Association, the counterparty to the Swap (the "Swap Provider"), related to the 2016 Certificates. Under this agreement, OMEGA JV5 will make payments based upon the fixed rate of 0.8585% per annum and in exchange the Swap Provider will make payments based upon a floating rate equal to 70% of the USD-LIBOR-BBA Index with a designated maturity of 30 days through the termination date of the Swap, which is February 15, 2021. The notional amount of the Swap is based on a schedule that amortizes to an amount approximately half of the balance outstanding on the 2016 Certificates.

The OMEGA JV5 Swap has the following fair value measurement as of December 31:

	Investment	Maturity Date	Fair Value at December 31, 2017	Fair Value at December 31, 2016
Level 3	Interest rate swap contracts	February 15, 2021	$ 253,327	$ 158,266

2001 Beneficial Interest Certificates

The interest component of the 2001 Certificates will accrete from the date of issuance, compounded semiannually on February 15 and August 15 of each year, commencing February 2002, with the original discount amount of $42,225,017, and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE (cont.)

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2017 are as follows:

Maturity Date	Maturity Amount	Yield to Maturity
2025	$ 10,915,000	5.51%
2026	10,915,000	5.52
2027	10,915,000	5.53
2028	10,915,000	5.54
2029	10,465,000	5.55
2030	2,000,000	5.56
Sub-Total	56,125,000	
Less: Unamortized discount	(22,067,924)	
Total	$ 34,057,076	

Except for the limited step-up provisions in the event of default by a Participant as described in Section 18 of the Joint Venture Agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 Participants, payable from the revenues of their municipal electric systems, subject only to the prior payment of the operation and maintenance expenses thereof. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of OMEGA JV5.

The terms of the trust agreement related to the Certificates contain various covenants, the most restrictive of which require the timely payment of debt service and for the Participants of OMEGA JV5 to comply with the provisions of the Joint Venture Agreement.

Under the Joint Venture Agreement, the Participants must manage electric system revenues and expenditures so that, in each year, those revenues received in that year cover the greater of (i) operating and maintenance ("O&M") expenses plus 110% of its OMEGA JV5 bond debt service payments and any other senior electric revenue debt, or (ii) O&M expenses plus 100% of its OMEGA JV5 bond debt service payments and all other electric system debt whether revenue or general obligation ("debt service coverage ratio").

Based upon unaudited financial information for the years ended December 31, 2017 and 2016, there were no participants unable to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE (cont.)

The fair value of the 2001 Certificates was estimated by using quoted market prices and is as follows:

	December 31, 2017		December 31,2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 34,057,076	$ 44,057,332	$ 32,249,232	$ 40,698,290

Long-term liability activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
2016 certificates	$ 44,860,000	-	$ (5,960,000)	$ 38,900,000
2001 certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(23,875,768)	-	1,807,844	(22,067,924)
	77,109,232	-	(4,152,156)	72,957,076
Note payable	-	-	-	-
Less: Current maturities	-	-	-	-
	-	-	-	-
Asset retirement obligation	317,673	-	-	317,673
Accrued license fees	240,796	-	(75,065)	165,731
Totals	$ 77,667,701	$ -	$ (4,227,221)	$ 73,440,480

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE (cont.)

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
2016 certificates	$ -	$ 49,745,000	$ (4,885,000)	$ 44,860,000
2001 certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(25,587,812)	-	1,712,044	(23,875,768)
	30,537,188	49,745,000	(3,172,956)	77,109,232
Note payable	49,803,187	-	(49,803,187)	-
Less: Current maturities	(49,803,187)	-	49,803,187	-
	-	-	-	-
Asset retirement obligation	313,314	-	4,359	317,673
Accrued license fees	101,572	-	139,124	240,796
Totals	$ 30,952,174	$ 49,745,000	$ (3,029,473)	$ 77,667,701

Deferred inflow of resources at December 31 is as follows:

	2017	2016
Debt service billed to Participants for Certificates in excess of related expenses	$ 33,990,200	$ 32,275,861
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	10,453,684	6,617,120
Renewable Energy Credits	206,571	-
Fair Value of Interest Rate Swap	253,327	158,266
Inventories billed to Participants	130,245	130,245
Total Deferred Inflow of Resources	$ 45,034,027	$ 39,181,492

NOTE 8 – NET POSITION

GASB No. 63 requires the classification of net position into three components –net position invested in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - The component consists of the portion of net position that does not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted resources are available for use, it is OMEGA JV5's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

	2017	2016
Plant assets	$ 186,919,294	$ 186,665,717
Land	431,881	431,881
Accumulated depreciation	(87,662,104)	(82,927,866)
Sub-Totals	99,689,071	104,169,732
Related debt:		
2016 beneficial interest certificates	38,900,000	44,860,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount – 2001 Beneficial interest certificates	(22,067,924)	(23,875,768)
Sub-Totals	72,957,076	77,109,232
Total Net Investment In Capital Assets	$ 26,731,995	$ 27,060,500

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

OMEGA JV5 is subject to regulation by federal, state and local authorities related to Environmental and other matters. Changes in regulations could adversely affect operations and operating costs of OMEGA JV5.

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. The OMEGA JV5 engines are affected by this rule and were in compliance by May 2013.

Many metropolitan and industrialized counties in Ohio may be declared non-attainment with the 2015 ozone standard. This determination by U.S. EPA could result in mandatory local reductions of nitrogen oxides, volatile organic compounds and/or fine particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to help achieve compliance in down-wind, neighboring states. Ohio Environmental Protection Agency may restrict the hours of operation or require additional pollution control equipment for the portions of the Project that are determined to impact non-attainment areas in Ohio or elsewhere.

OTHER COMMITMENTS

OMEGA JV5 has agreed to make certain payments in lieu of taxes to Wood County, West Virginia. The payments in lieu of taxes will be approximately $840,000 annually until the later of September 1, 2028 or until such time as the Project ceases commercial operations.

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There were no significant reductions in coverage in 2017.

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2017 and 2016 was $133,262 and $167,274, respectively. OMEGA JV5's payables to AMP as of December 31, 2017 and 2016 were $151,636 and $763,074, respectively.

- As OMEGA JV5's agent, AMP purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2017 and 2016 amounted to $3,020,382 and $2,119,609, respectively. OMEGA JV5's receivable from AMP as of December 31, 2017 was $0 and $1,973,487 receivable at December 31, 2016.

NOTE 11 – RELATED PARTY TRANSACTIONS (cont.)

- As OMEGA JV5's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was $1,818,828 and $2,190,546 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV5 had payables to MESA of $97,240 and $1,773,337 at December 31, 2017 and 2016, respectively.

- During the year, Ohio Municipal Electric Association ("OMEA") provided certain legislative services for OMEGA JV5. OMEA is the legislative liaison for AMP and 80 Ohio community-owned-and-operated municipal electric systems. The expense related to these services was $6,943 and $8,938 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV5 had payables to OMEA $579 and $8,855 as of December 31, 2017 and 2016, respectively.

- OMEGA JV5 sold capacity from back-up generating units to AMP's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately $70,200 for each of the years ended December 31, 2017 and 2016.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $140,065 and $193,022 for these services for the years ended December 31, 2017 and 2016, respectively.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5:

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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV5's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV5'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV5's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 6:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of OMEGA JV6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 OMEGA JV6's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV6 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV6's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV6 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV6 as of December 31:

Condensed Statement of Net Position

Assets	**2017**	**2016**	**2015**
Electric plant, net of accumulated depreciation	$ 5,110,420	$ 5,428,183	$ 5,713,378
Regulatory assets	699,176	589,527	522,401
Current assets and Board designated funds	1,819,508	1,698,672	2,768,438
Total Assets	$ 7,629,104	$ 7,716,382	$ 9,004,217
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 5,110,420	$ 5,428,183	$ 5,713,378
Net position - unrestricted	47,916	29,863	44,378
Current liabilities	69,001	34,065	1,873,302
Assets retirement obligation	889,546	797,951	716,489
Deferred inflow of resources	1,512,221	1,426,320	656,670
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 7,629,104	$ 7,716,382	$ 9,004,217

2017 vs. 2016

Total assets were $7,629,104 and $7,716,382 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $87,278. This decrease is primarily due to decreases in yearly depreciation of $311,089 and in receivables from participants of $61,000 offset by increases in regulatory assets of $109,649, cash and temporary investments of $100,812, and board designated funds of $85,119.

Current assets and board designated funds were $1,819,508 and $1,698,672 as of December 31, 2017 and December 31, 2016, respectively, an increase of $120,836. This increase was an increase in cash and temporary investments of $100,812, an increase in board designated funds of $85,119 and an increase in receivables from participants of $719. These increases are partially offset by decreases in receivables from related parties of $61,000 and in prepaid expenses of $4,814.

Non-current assets excluding board designated funds were $5,809,596 and $6,017,710 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $208,114. This decrease was due to a decrease in the value of electric plant, net of depreciation of $317,763, from yearly depreciation along with an increase in regulatory assets of $109,649. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense.

Total net position, liabilities, and deferred inflow of resources were $7,629,104 and $7,716,382 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $87,278.

Total net position was $5,158,336 and $5,548,046 at December 31, 2017 and December 31, 2016, respectively, a decrease of $299,710. Net investment in capital assets was $5,110,420 and $5,428,183 at December 31, 2017 and December 31, 2016, respectively, a decrease of $317,763. This decrease resulted from an increase in accumulated depreciation of $311,089 offset by a change in asset retirement obligation of $6,674. Unrestricted net position was $47,916 and $29,863 at December 31, 2017 and December 31, 2016, respectively.

Current liabilities were $69,001 and $34,065 at December 31, 2017 and December 31, 2016, respectively, an increase of $34,936. This resulted from an increase accounts payable and accrued expenses of $48,546 offset by a decrease in payables to related parties of $13,610.

Non-current liabilities were $889,546 and $797,951 as of December 31, 2017 and December 31, 2016 respectively, an increase of $91,595. This increase was due to an increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants and current year accretion expense.

Deferred inflow of resources increased to $1,512,221 at December 31, 2017 from $1,426,320 at December 31, 2016, respectively, an increase of $85,901. This is a result of revenue collected during the year in excess of expenses incurred, intended to recover future expenses.

2016 vs. 2015

Total assets were $7,716,382 and $9,004,217 as of December 31, 2016 and December 31 2015, respectively, a decrease of $1,287,835. This decrease is due to decreases in cash and temporary investments of $867,009 for distributions to participants declared in 2015 but primarily paid in 2016 as well as $309,690 from yearly depreciation and a decrease in board designated funds of $184,412. These decreases were offset by an increase in regulatory assets of $67,126.

Current assets and board designated funds were $1,698,672 and $2,768,438 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $1,069,766. This decrease was due to a decrease in cash of $867,009 for remaining distributions to participants, a decrease in board designated funds of $184,412, a decrease of receivables of $15,897 and a decrease in prepaid expenses of $2,448.

Non-current assets excluding board designated funds were $6,017,710 and $6,235,779 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $218,069. This decrease was due to a decrease in the value of electric plant, net of depreciation of $285,195, from yearly depreciation along with an increase in regulatory assets of $67,126. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense.

Total net position, liabilities, and deferred inflow of resources were $7,716,382 and $9,004,217 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $1,287,835.

Total net position was $5,548,046 and $5,757,756 at December 31, 2016 and December 31, 2015, respectively, a decrease of $299,710. Net investment in capital assets was $5,428,183 and $5,713,378 at December 31, 2016 and December 31, 2015, respectively, a decrease of $285,195. This decrease resulted from an increase in accumulated depreciation of $309,690 offset by a change in asset retirement obligation of $24,495. Unrestricted net position was $29,863 and $44,378 at December 31, 2016 and December 31, 2015, respectively.

Current liabilities were $34,065 and $1,873,302 at December 31, 2016 and December 31, 2015, respectively, a decrease of $1,839,237. This resulted from the decreases in amounts due to participants of $1,786,160 and in accounts payable and accrued expenses of $53,077.

Non-current liabilities were $797,951 and $716,489 as of December 31, 2016 and December 31, 2015 respectively, an increase of $81,462. This increase was due to an increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants.

Deferred inflow of resources increased to $1,426,320 at December 31, 2016 from $656,670 at December 31, 2015, respectively, an increase of $769,650. This is a result of revenue collected during the year in excess of expenses incurred, intended to recover future expenses.

The following table summarizes the changes in revenues, expenses and net position of OMEGA JV6 for the year ended December 31:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 387,709	$ 457,030	$ 494,853
Operating expenses	742,905	802,921	848,311
Operating Loss	(355,196)	(345,891)	(353,458)
Nonoperating revenue			
Investment income	4,387	138	1,370
Future recoverable costs	51,099	46,043	52,381
Nonoperating Revenue	55,486	46,181	53,751
Loss before Contributions	(299,710)	(299,710)	(299,707)
Distribution to participants	-	-	(1,891,388)
Change in Net Position	$ (299,710)	$ (299,710)	$ (2,191,095)

Operating results

Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP. In 2007, OMEGA JV6 was authorized by the Internal Revenue Service to issue $3.5 million in Clean Renewable Energy Bonds that could be used to expand the output of the existing wind farm by installing one additional wind turbine. Although the original authorization was to expire December 31, 2009, this authorization was extended until December 31, 2010. RECs were sold in 2016 through the efforts of MESA personnel.

Electric revenue in 2017 was $387,709 versus $457,030 in 2016 which is a decrease of $69,321. The decrease in electric revenue is due to a decrease in capacity sales of $120,809 and in lower renewable energy credits of $75,671 offset by lower revenue related to fixed costs of $135,492. Electric revenue in 2016 was $457,030 versus $494,853 in 2015 which is a decrease of $37,823. The decrease in electric revenue is mainly due to a decrease in capacity sales of $84,524 offset by lower renewable energy credits of $132,707. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating expenses in 2017 were $742,905 versus $802,921 in 2016 which is a decrease of $60,016. The decrease in operating expenses in 2017 is due to decreases in capacity expense of $121,112 and related party services of $42,423 offset by increases in maintenance expense of $85,763 and other operating expenses of $5,903.

Operating expenses in 2016 were $802,921 versus $848,311 in 2015 which is a decrease of $45,390. The decrease in operating expenses in 2016 is due mainly to decreases in capacity expense of $84,524 and related party services of $5,264 offset by increases in maintenance expense of $47,434 and other operating expenses of $3,911.

Investment income in 2017 was $4,387 versus $138 in 2016, an increase of $4,249. Investment income in 2016 was $138 versus $1,370 in 2015 which is a decrease of $1,232. Investment income for OMEGA JV6 is interest earned on checking account balances and short term investments.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 930,626	$ 829,814
Receivables from participants	41,116	40,397
Receivables from related parties	-	61,000
Prepaid expenses	10,096	14,910
Total Current Assets	981,838	946,121
NONCURRENT ASSETS		
Regulatory assets	699,176	589,527
Board designated funds	837,670	752,551
Electric Plant		
Electric plant	9,401,557	9,396,566
Accumulated depreciation	(4,291,137)	(3,968,383)
Net Electric Plant	5,110,420	5,428,183
Total Noncurrent Assets	6,647,266	6,770,261
TOTAL ASSETS	$ 7,629,104	$ 7,716,382
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 62,170	$ 13,624
Payable to related parties	6,831	20,441
Total Current Liabilities	69,001	34,065
NONCURRENT LIABILITIES		
Asset retirement obligation	889,546	797,951
Total Noncurrent Liabilities	889,546	797,951
Total Liabilities	958,547	832,016
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	1,512,221	1,426,320
NET POSITION		
Net investment in capital assets	5,110,420	5,428,183
Unrestricted	47,916	29,863
Total Net Position	5,158,336	5,458,046
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 7,629,104	$ 7,716,382

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Electric revenue	$ 387,709	$ 457,030
OPERATING EXPENSES		
Related party services	29,678	72,101
Capacity	32,550	153,662
Depreciation	311,089	309,690
Accretion of asset retirement obligation	39,719	36,062
Maintenance	249,172	163,409
Insurance	21,085	36,964
Professional services	33,265	10,589
Other operating expenses	26,347	20,444
Total Operating Expenses	742,905	802,921
Operating Loss	(355,196)	(345,891)
NONOPERATING REVENUES		
Investment income	4,387	138
Future recoverable costs	51,099	46,043
Total Nonoperating Revenues	55,486	46,181
Change in net position	(299,710)	(299,710)
NET POSITION, Beginning of Year	5,458,046	5,757,756
NET POSITION, END OF YEAR	$ 5,158,336	$ 5,458,046

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 694,639	$ 1,228,063
Cash paid to related parties for personnel services	(43,288)	(73,503)
Cash payments to suppliers and related parties for goods and services	(469,807)	(419,959)
Net Cash Provided by Operating Activities	181,544	734,601
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	-	(1,786,160)
Proceeds from insurance	-	-
Net Cash Used in Noncapital Financing Activities	-	(1,786,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	4,387	138
Net Cash Provided by Investing Activities	4,387	138
Net Change in Cash and Cash Equivalents	185,931	(1,051,421)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,582,365	2,633,786
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,768,296	$ 1,582,365

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (355,196)	$ (345,891)
Depreciation	311,089	309,690
Accretion of asset retirement obligation	39,719	36,062
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(720)	13,897
Receivables from related parties	61,000	2,000
Prepaid expenses	4,814	2,448
Accounts payable and accrued expenses	48,547	(51,853)
Payable to related parties	(13,610)	(1,402)
Deferred inflow of resources	85,901	769,650
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 181,544	$ 734,601
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 930,626	$ 829,814
Board designated funds	837,670	752,551
Total Cash Accounts	1,768,296	1,582,365
TOTAL CASH AND CASH EQUIVALENTS	$ 1,768,296	$ 1,582,365
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	$ 4,991	$ 24,495

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") was organized by ten subdivisions of the State of Ohio (the "Participants") and commenced operations on December 15, 2003 ("Inception"), pursuant to a joint venture agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code (ORC). Its purpose is to provide low-polluting capacity to the Participants. The Participants are members of American Municipal Power, Inc. ("AMP"). In December 2003 and December 2004, OMEGA JV6 purchased 3.6 MW of electric plant generating units (the "Project") from AMP for a total capacity of 7.2 MW. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV6 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV6.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place or deferred until a future period in which they will be recovered through rates.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Deposits and Investments (cont.)

OMEGA JV6 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV6 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Board Designated Funds

OMEGA JV6's Board of Participants designated funds from existing operating cash for the maintenance and repairs to the generating units.

Receivables/Payables

Accounts receivable are amounts due from related parties, as such, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Electric Plant

Electric plant is recorded at cost. Depreciation is provided on the straight-line method over 30 years, the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations

OMEGA JV6 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount required to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets

OMEGA JV6 records regulatory assets (expenses to be recovered in rates in future periods). Regulatory assets include O&M expenses not yet recovered through billings to Participants.

Regulatory assets consisted of the following at December 31:

	2017	2016
Future expenses related to asset retirement obligations	$ 699,176	$ 589,527

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (cont.)

Deferred Inflow of Resources

OMEGA JV6 records deferred inflows of resources (rates collected for expenses not yet incurred). Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Deferred inflow of resources consisted of the following at December 31:

	2017	2016
Future expenses related to Fixed O&M	$ 1,512,221	$ 1,426,320

Net Position

All property constituting OMEGA JV6 is owned by the Participants as tenants in common in undivided shares, each being equal to that Participants' percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00
Napoleon	300	4.17
Wadsworth	250	3.47
Oberlin	250	3.47
Montpelier	100	1.39
Edgerton	100	1.39
Pioneer	100	1.39
Monroeville	100	1.39
Elmore	100	1.39
Totals	7,200	100.00%

REVENUE AND EXPENSES

OMEGA JV6 distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV6's principal ongoing operations. The principal operating revenues of OMEGA JV6 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUE AND EXPENSES (cont.)

Electric revenue is recognized when earned as service is delivered. OMEGA JV6's rates for electric power are designed to cover annual operating costs, except depreciation. Rates are set annually by the Board of Participants. Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

Beginning January 1, 2009, renewable energy attributes from OMEGA JV6 were sold by AMP on behalf of the participants. These revenues will be realized upon delivery of the attributes.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows, since they are not available for use.

	Carrying Value as of December 31,		
	2017	2016	Risks
Checking	$ 1,768,296	$ 1,582,365	Custodial credit
Totals	$ 1,768,296	$ 1,582,365	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2017 and 2016.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 had custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016, there were no deposits exposed to custodial credit risk.

NOTE 3 – ELECTRIC PLANT AND EQUIPMENT

Electric plant and equipment activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	$ 9,396,566	$ -	$ 4,991	$ 9,401,557
Less: Accumulated depreciation	(3,968,383)	(311,089)	(11,665)	(4,291,137)
Electric Plant, Net	$ 5,428,183	$ (311,089)	$ (6,674)	$ 5,110,420

	2016			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	$ 9,372,071	$ -	$ 24,495	$ 9,396,566
Less: Accumulated depreciation	(3,658,693)	(309,690)	-	(3,968,383)
Electric Plant, Net	$ 5,713,378	$ (309,690)	$ 24,495	$ 5,428,183

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

Under the terms of lease agreements, OMEGA JV6 has an obligation to remove electric plant from the leased sites where the units are located and to perform certain restoration activities at the sites.

Asset retirement obligation activity for the years ended December 31 is as follows:

	2017			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 797,951	$ 39,719	$ 51,876	$ 889,546

	2016			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 716,489	$ 36,062	$ 45,400	$ 797,951

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. OMEGA JV6 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2017 and 2016.

NOTE 5 – NET POSITION

GASB No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The following calculation supports the net investment in capital assets:

	2017	2016
Electric plant	$ 9,401,557	$ 9,396,566
Less: Accumulated depreciation	(4,291,137)	(3,968,383)
Total Net Investment in Capital Assets	$ 5,110,420	$ 5,428,183

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The Project is subject to regulations by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV6.

Bird and bat collisions with the turning blades of wind turbines have resulted in wildlife losses in some wind turbine locations. There have reportedly been some dead bats observed near the project by an outside college study group. If it is concluded that there is a bird or bat collision problem, fines may be assessed or operational restrictions imposed against OMEGA JV6.

NOTE 7 – RISK MANAGEMENT

OMEGA JV6 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, and general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There have been no claims in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – SIGNIFICANT CUSTOMERS

OMEGA JV6 has two participants that comprised 33% and 33% of electric service revenue in 2017 and 2016, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of $2,781 and of $2,937 for the years ended December 31, 2017 and 2016, respectively, and had a payable of $4,260 and $19,286 to AMP at December 31, 2017 and 2016, respectively.

- As OMEGA JV6's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The expenses related to these services were $26,897 and $69,164 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV6 had a payable to MESA for $961 and $1,156 at December 31, 2017 and 2016, respectively. OMEGA JV6 had a payable to AMP for $1,610 at December 31, 2017.

- During 2017 and 2016, AMP sold green tags on behalf of OMEGA JV6. OMEGA JV6 had a receivable from AMP of $0 and $61,000 as of December 31, 2017 and 2016, respectively.

NOTE 10 – FUTURE LEASE COMMITMENT

On November 14, 2002, AMP entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of $1,000 per wind turbine unit. AMP has assigned this lease to OMEGA JV6. Rent expense from this lease totaled $4,000 during each of the years ended December 31, 2017 and 2016.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 6:

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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV6's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV6'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV6's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Services Agency as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of proportionate share of net pension liability and pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 April 18, 2018 on our consideration of MESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 MESA's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Municipal Energy Services Agency ("MESA") for the years ended December 31, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

MESA prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MESA's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets and liabilities of MESA as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

The following table summarizes the financial position of MESA as of December 31:

Condensed Statement of Net Position

	2017	2016	2015
Assets			
Cash and short term investments	$ 1,065,695	$ 3,713,237	$ 1,282,315
Recievables from AMP members	926,261	458,230	374,778
Recievables from related parties	1,047,007	2,311,696	5,395,334
Costs/recoveries in excess of member project billings	765,918	289,947	243,048
Prepaid expenses	3,427	2,083	2,125
Total Current Assets	$ 3,808,308	$ 6,775,193	$ 7,297,600
Deferred Outflows of Resources			
Pension	$ 6,305,713	$ 5,022,656	$ 1,496,200
Total assets and deferred outflows	$ 10,114,021	$ 11,797,849	$ 8,793,800
Liabilities			
Current liabilities	$ 2,154,798	$ 5,251,901	$ 5,651,270
Noncurrent liabilities			
Net pension liability	15,659,775	12,969,890	9,925,281
Other long-term amounts	1,653,510	1,523,292	1,646,330
Total liabilities	$ 19,468,083	$ 19,745,083	$ 17,222,881
Deferred Inflows of Resources			
Pension	973,574	912,452	187,890
Net Position:			
Unrestricted	$ (10,327,636)	$ (8,859,686)	$ (8,616,971)
Total net position, liabilities and deferred inflows	$ 10,114,021	$ 11,797,849	$ 8,793,800

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

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

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

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

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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

2017 vs. 2016

Total assets were $3,808,308 and $6,775,193 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $2,966,885. This was due to decreases in cash of $2,647,542 and in net receivables of $796,658 offset by an increase in costs and recoveries in excess of billings from projects constructed by members of $475,971.

Deferred outflows of resources were $6,305,713 in 2017 as compared to $5,022,656 in 2016, an increase of $1,283,057. 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) until then. The change in 2017 to 2016 balance represents contributions subsequent to measurement date and the change in expected investment returns as compared to actual.

Total liabilities were $19,468,083 and $19,745,083 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $277,000. This increase was due mainly to an increase in the change in net pension liability of $2,689,885 offset by a decrease in payables to related parties of $3,086,630.

> Current liabilities were $2,154,798 and $5,251,901 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $3,097,103. This was primarily due to a decrease in payables to related parties of $3,086,630.
>
> Other long-term liabilities were $1,653,510 and $1,523,292 as of December 31, 2017 and December 31, 2016, respectively, an increase of $130,218. Non-current liabilities are comprised of accrued sick leave. The increase is due to benefits paid, offset by benefits earned.
>
> Net pension liability was $15,659,775 as compared to $12,969,890, as of December 31, 2017 and December 31, 2016, respectively. This change represents an increase of $2,689,885 due to changes in net pension liability at the plan level.

Deferred inflows of resources were $973,574 and $912,452 as of December 31, 2017 and December 31, 2016, respectively. The change in 2017 to 2016 balance represents the change between expected and actual experience for the pension plan.

2016 vs. 2015

Total assets were $6,775,193 and $7,297,600 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $522,407. This was due to an increase in cash of $2,430,922 offset by a decrease in net receivables of $3,000,186.

Deferred outflows of resources were $5,022,656 in 2016 as compared to $1,496,200 in 2015, an increase of $3,526,456. 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) until then. The change in 2016 to 2015 balance represents contributions subsequent to measurement date and the change in expected investment returns as compared to actual.

Total liabilities were $19,745,083 and $17,222,881 as of December 31, 2016 and December 31, 2015, respectively, an increase of $2,522,202. This increase was due mainly to an increase in the change in net pension liability.

> Current liabilities were $5,251,901 and $5,651,270 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $399,369. This was due to an increase in payables to related parties of $740,320 offset by decreases in accounts payable and accrued employee related expenses.
>
> Other long-term liabilities were $1,523,292 and $1,646,330 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $123,038. Non-current liabilities are comprised of accrued sick leave. The decrease is due to change in employee headcount and benefits paid, offset by benefits earned.
>
> Net pension liability was $12,969,890 as compared to $9,925,281, as of December 31, 2016 and December 31, 2015, respectively. This change represents an increase of $3,044,609 due to changes in net pension liability at the plan level.

Deferred inflows of resources were $912,452 and $187,890 as of December 31, 2016 and December 31, 2015, respectively. The change in 2016 to 2015 balance represents the change between expected and actual experience for the pension plan.

The following table summarizes the changes in revenues, expenses and changes in net position of MESA for the years ended December 31:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 16,183,610	$ 16,680,756	$ 17,123,891
Operating expenses	17,654,969	16,923,471	17,274,003
Operating Loss	(1,471,359)	(242,715)	(150,112)
Nonoperating revenue			
Investment income	3,409	-	252
Change in Net Position	$ (1,467,950)	$ (242,715)	$ (149,860)

Operating revenues in 2017 were $16,183,610 versus $16,680,756 in 2016 which was a decrease of $497,146. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members increased by $414,324 due to increased activity experienced during the year. Revenue from providing personnel services to related parties decreased by $911,470, due mainly to a decrease in MESA headcount from prior year.

Operating expenses in 2017 were $17,654,969 versus $16,923,471 in 2016 which was an increase of $731,498. This decrease was primarily due to the decrease in MESA headcount from fiscal year 2016 offset by increases in pension expense and in direct project expenses.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2017 was $3,409 versus $0 in 2016 which was an increase of $3,409.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and short term investments	$ 1,065,695	$ 3,713,237
Receivables from AMP members	926,261	458,230
Receivables from related parties	1,047,007	2,311,696
Costs and recoveries in excess of billings from projects constructed on behalf of members	765,918	289,947
Prepaid expenses	3,427	2,083
Total Current Assets	3,808,308	6,775,193
DEFERRED OUTFLOW OF RESOURCES		
Pension	6,305,713	5,022,656
TOTAL DEFERRED OUTFLOW OF RESOURCES	6,305,713	5,022,656
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 10,114,021	$ 11,797,849
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 79,126	$ 173,659
Payable to related parties	-	3,086,630
Accrued salaries and related benefits	1,067,794	890,100
Accrued vacation leave	1,007,878	1,101,512
Total Current Liabilities	2,154,798	5,251,901
NON CURRENT LIABILITIES		
Accrued sick leave	1,653,510	1,523,292
Net pension liability	15,659,775	12,969,890
Total Non current Liabilities	17,313,285	14,493,182
Total Liabilities	19,468,083	19,745,083
DEFERRED INFLOW OF RESOURCES		
Pension	973,574	912,452
TOTAL DEFERRED INFLOW OF RESOURCES	973,574	912,452
NET POSITION		
Unrestricted	(10,327,636)	(8,859,686)
Total Net Position	(10,327,636)	(8,859,686)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 10,114,021	$ 11,797,849

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Services	$ 14,849,632	$ 15,761,102
Project revenue	1,333,978	919,654
Total Operating Revenues	16,183,610	16,680,756
OPERATING EXPENSES		
Salaries and related benefits	15,358,470	15,735,066
Professional fees	86,296	169,416
Direct project expenses	2,107,381	809,949
Insurance	41,117	28,362
Other operating expenses	61,705	180,678
Total Operating Expenses	17,654,969	16,923,471
Operating Loss	(1,471,359)	(242,715)
NONOPERATING REVENUES		
Investment income	3,409	-
Total Non-Operating Revenues	3,409	-
Change in net position	(1,467,950)	(242,715)
NET POSITION, Beginning of Year	(8,859,686)	(8,616,971)
NET POSITION, END OF YEAR	$ (10,327,636)	$ (8,859,686)

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP members for services	$ 865,947	$ 836,202
Cash received from related parties for services	15,638,350	18,797,841
Cash payments to employees for services	(15,238,725)	(16,257,473)
Cash payments to suppliers and related parties for good and services	(3,916,523)	(945,648)
Net Cash Provided by Operating Activities	(2,650,951)	2,430,922
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	3,409	-
Net Cash Provided by Investing Activities	3,409	-
Net Change in Cash and Cash Equivalents	(2,647,542)	2,430,922
CASH AND CASH EQUIVALENTS, Beginning of Year	3,713,237	1,282,315
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,065,695	$ 3,713,237

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (1,471,359)	$ (242,715)
Changes in assets and liabilities		
Receivables from AMP	(468,031)	(83,452)
Receivables from related parties	1,264,689	3,083,638
Cost and estimated earnings in excess of billings from projects constructed onbehalf of members	(475,971)	(46,899)
Prepaid expenses	(1,344)	42
Deferred inflows and outflows, net	(1,221,935)	(2,801,894)
Accounts payable and accrued expenses	(94,533)	(112,515)
Accounts payable to related parties	(3,086,630)	740,320
Accrued salaries and related benefits	177,694	(737,410)
Accrued vacation and sick leave	36,584	(412,802)
Net pension liability	2,689,885	3,044,609
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (2,650,951)	$ 2,430,922

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Energy Services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. As of December 31, 2017, there were 54 Participants in MESA. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. The participants are members of American Municipal Power, Inc. ("AMP"). MESA also provides personnel and administrative services to AMP, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA JVs") and the Ohio Municipal Electric Association ("OMEA"). The Agreement continues until December 31, 2008, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation. At December 31, 2017, no notice of termination has been received.

The following summarizes the significant accounting policies followed by MESA.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

MESA has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government and its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MESA has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Accounts receivable are amounts due from participants, related parties, and other members of AMP at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

Accrued Vacation and Sick Leave

MESA records a liability for compensated absences (sick and vacation) attributable to services rendered. Vacation leave for which employees can receive compensation in a future period is recorded as earned by the employees. Sick leave is recorded for those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

PENSIONS

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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) until then. For MESA, deferred outflows of resources are reported for pension, explained further in Note 5.

In additional to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

that applies to a future period and will not be recognized as an inflow until that time. For MESA, deferred inflows of resources are reported for pension, explained further in Note 5.

SERVICE REVENUE AND EXPENSES

Revenues are recognized as services are performed. Service revenue is charged to AMP, the OMEGA JVs, and OMEA at a rate to recover the cost of salaries incurred related to work performed for each entity plus an overhead rate ranging from 0% to 100%. To the extent that the overhead amount charged is different from actual overhead charges incurred, MESA adjusts the amount charged to AMP. AMP absorbs any undercharges and uses any excess charges to offset other administrative expenses incurred, which benefits all members of AMP.

PROJECT REVENUE AND EXPENSES

MESA performs short-term and long-term construction and technical service projects for the members of AMP. Short-term service project revenues are recognized when costs are incurred. Long-term project revenues are recognized in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 (“SOP 81-1”), *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for time and materials contracts. In accordance with SOP 81-1, revenue from time and material contracts is recognized to the extent of billable rates times hours delivered plus materials and expenses incurred. Materials and expenses are typically billed at cost. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted projects are made in the period in which such losses are identified. Changes in project performance, project conditions and estimated profitability are recognized in the period in which the revisions become known.

Costs and recoveries in excess of billings from projects constructed on behalf of members represent unbilled services and reimbursable materials and expenses associated with ongoing projects. Billings in excess of costs and recoveries for projects constructed on behalf of members represent advanced billings for services to be performed at a future date for ongoing projects. Direct project expenses include an allocation of operating expenses.

MESA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with MESA’s principal ongoing operations. Operating expenses for MESA include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows, since they are not available for use.

The following table reflects cash and temporary investments carrying value as of December 31:

	2017	2016	Risks
Checking / Money Market Funds	$ 1,065,695	$ 3,713,237	Custodial credit
Total Cash and Cash Equivalents	$ 1,065,695	$ 3,713,237	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for interest and noninterest bearing accounts as of December 31, 2017 and 2016.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2017 and 2016 there were no deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. MESA invests in instruments approved under the entity's investment policy. The Board of Participants has authorized MESA to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. MESA's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

NOTE 3 – HEALTH INSURANCE

MESA is self-insured for health, dental and prescription drug benefits. The programs are administered by a third-party, which provides claims review and processing services. MESA records a liability for incurred but unreported claims at year end upon an actuarial estimate based on past experience and current claims outstanding.

Changes in funds' claim liability amount in 2017 and 2016 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2017	$ 246,294	$ 944,630	$ 936,223	$ 254,701
2016	$ 239,228	$ 2,114,719	$ 2,107,653	$ 246,294

NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the years ended December 31, 2017 and 2016 is as follows:

2017	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,523,292	$ 230,718	$ (100,500)	$ 1,653,510	$ -
Net pension liability	12,969,890	2,689,885	-	15,659,775	-
	$ 14,493,182	$ 2,920,603	$ (100,500)	$ 17,313,285	$ -

2016	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,646,330	$ 114,386	$ (237,424)	$ 1,523,292	$ -
Net pension liability	9,925,281	3,044,609	-	12,969,890	-
	$ 11,571,611	$ 3,158,995	$ (237,424)	$ 14,493,182	$ -

NOTE 5 – POSTEMPLOYMENT BENEFITS

NET PENSION LIABILITY

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

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

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

GASB Statement No. 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 also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

PLAN DESCRIPTION

MESA 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., MESA employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC).

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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

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

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

FUNDING POLICY

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2017, member contribution rates were 10% of salary and employer contribution rates were 14%.

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 1.0% during calendar year 2017. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $1,233,496 for 2017.

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPERS

The net pension liability for OPERS was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MESA's proportion of the net pension liability was based on the MESA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

		OPERS
Proportionate Share of Net Pension Liability	$	15,659,775
Proportion of Net Pension Liability		0.068960580%
Change in Proportion		-0.005917865%
Pension Expense	$	1,467,950

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

At December 31, 2017, MESA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Differences between expected and actual experience	$ 21,225	$ (93,199)	$ (71,974)
Net difference between projected and actual earnings on pension plan investments	2,332,103	-	2,332,103
Change in assumptions	2,483,833	-	2,483,833
Change in Entity's proportionate share and difference in employer contributions	-	(880,375)	(880,375)
Contributions subsequent to the measurement date	1,468,552	-	1,468,552
	$ 6,305,713	$ (973,574)	$ 5,332,139

	2016		
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Differences between expected and actual experience	$ -	$ (280,639)	$ (280,639)
Net difference between projected and actual earnings on pension plan investments	3,867,810	-	3,867,810
Change in Entity's proportionate share and difference in employer contributions	-	(631,813)	(631,813)
Contributions subsequent to the measurement date	1,154,846	-	1,154,846
	$ 5,022,656	$ (912,452)	$ 4,110,204

$1,468,552 reported as deferred outflows of resources related to pension resulting from MESA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

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:	OPERS
2018	$ 1,404,556
2019	1,720,353
2020	807,038
2021	(68,360)
2022	-
Thereafter	-
	$ 3,863,587

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

ACTUARIAL ASSUMPTIONS

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75%, including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3%; Post 1/7/2013 Retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

See notes to required supplementary information on change of assumptions that impacted the December 31, 2016 actuarial valuation.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. 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.

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100.00%	5.66%

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MESA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents MESA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%,

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

as well as what the MESA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.50%) and one-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate of 7.50%	1% Increase (8.50%)
MESA's proportionate share of the net pension liability	$ 23,923,804	$ 15,659,775	$ 8,773,165

OTHER POSTEMPLOYMENT BENEFITS

OPERS also maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS-sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor 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 No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

portion of the heath 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 to the VEBA for participants in the Member-Directed Plan for 2017 was 4.0%.

The portion of employer contributions that were used to fund health care for 2017, 2016, and 2015 were $235,056, $235,104, and $182,939, respectively.

NOTE 6 – RISK MANAGEMENT

MESA is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, health care excess liability, general liability, directors' and officers' insurance, fiduciary liability, and crime and fidelity coverage. In addition, MESA maintains an errors and omissions policy related to engineering services it performs. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7 – RELATED PARTY TRANSACTIONS

Pursuant to the Agreement, AMP was designated as an agent and provides MESA various management and operational services. As MESA's agent, AMP enters into agreements with related entities to have MESA provide services. Revenues earned from these agreements for the years ended December 31 are as follows:

	2017	2016
AMP	$ 13,915,174	$ 12,831,392
Ohio Municipal Electric Generation Agency Joint Venture 1	28,870	39,586
Ohio Municipal Electric Generation Agency Joint Venture 2	751,194	950,974
Ohio Municipal Electric Generation Agency Joint Venture 4	8,255	20,179
Ohio Municipal Electric Generation Agency Joint Venture 5	1,139,481	2,085,852
Ohio Municipal Electric Generation Agency Joint Venture 6	12,862	69,164
Ohio Municipal Electric Association	141,789	233,511
AMP Members	185,985	450,098
Totals	$ 16,183,610	$ 16,680,756

At December 31, 2017 and 2016, MESA had receivables from affiliates of $1,047,007 and $2,311,696, respectively. At December 31, 2017 and 2016, MESA had a receivable from members of AMP of $926,261 and $458,230, respectively. At December 31, 2017 and 2016, MESA had a payable to AMP for $0 and $3,086,630, respectively.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Four Years (1) (2)

	2017	2016	2015	2014
MESA's Proportion of the Net Pension Liability	0.068961%	0.074879%	0.082551%	0.082551%
MESA's Proportionate Share of the Net Pension Liability	$ 15,659,775	$ 12,969,890	$ 9,925,281	$ 9,730,641
MESA's Covered Payroll	$ 9,623,717	$ 8,015,192	$ 10,529,417	$ 9,365,862
MESA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	162.72%	161.82%	94.26%	103.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. MESA will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of MESA's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Five Years

	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 1,233,496	$ 1,154,846	$ 961,823	$ 1,263,530	$ 1,217,562
Contributions in Relation to the Contractually Required Contributions	$ (1,233,496)	$ (1,154,846)	$ (961,823)	$ (1,263,530)	$ (1,217,562)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
MESA Covered Payroll	$ 9,488,431	$ 9,623,717	$ 8,015,192	$ 10,529,417	$ 9,365,862
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. MESA will continue to present information for years available until a full ten-year trend is compiled.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

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, the financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statement of net position as of December 31, 2017 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MESA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MESA's internal control. Accordingly, we do not express an opinion on the effectiveness of MESA'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MESA's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 18, 2018

OMEGA JV 1, 2, 4, 5, 6 AND MESA

FRANKLIN 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
MAY 10, 2018

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