OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Period Ended November 30, 2018 and
Year Ended December 31, 2017

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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Board Participants
OMEGA JV-1, 2, 4, 5, 6 and MESA
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We have reviewed the *Independent Auditors' Report* of the OMEGA JV 2, 4, 5, 6 and MESA, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. The OMEGA JV 1 was for the audit period January 1, 2018 through November 30, 2018. 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 OMEGA JV-1, 2, 4, 5, 6 and MESA is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 20, 2019

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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 November 30, 2018 and December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the eleven months and year then ended, respectively, 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 November 30, 2018 and December 31, 2017, and the changes in its financial position and cash flows for the eleven months and year then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Discontinuation of OMEGA JV1

As discussed in Note 9 to the financial statements, during the eleven months ended November 30, 2018, the participants of OMEGA JV1 discontinued operations and all remaining assets were distributed to the participants. Our auditors' opinion was not modified with respect to this matter.

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 December 21, 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
December 21, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2018, December 31, 2017, and 2016
(Unaudited)

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 periods ended November 30, 2018 and December 31, 2017. 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 period. The statements of revenues, expenses and changes in net position report revenues and expenses for the period. 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 November 30, 2018, December 31, 2017 and December 31, 2016:

Condensed Statements of Net Position

	2018	2017	2016
Assets			
Electric plant, net of accumulated depreciation	$ -	$ -	$ 113,647
Board designated funds	-	92,115	92,115
Long term regulatory assets	-	-	92,612
Current assets	-	382,112	311,036
Total Assets	$ -	$ 474,227	$ 609,410
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ -	$ -	$ 113,647
Net position - unrestricted	-	314,284	230,373
Current liabilities	-	24,486	39,340
Asset retirement obligation	-	-	92,115
Deferred inflow of resources	-	135,457	133,935
Total Net Position, Liabilities and Deferred Inflow of Resources	$ -	$ 474,227	$ 609,410

2018 vs. 2017

Total assets were $0 and $474,227 as of November 30, 2018 and December 31 2017, respectively, a decrease of $474,227. The decrease in 2018 is due to discontinuation and disposition of the generating units and related facilities of OMEGA JV1.

Total net position, liabilities, and deferred inflow of resources were $0 and $474,227 as of November 30, 2018 and December 31, 2017, respectively, a decrease of $474,227.

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.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017	2016
Operating revenues	$ 76,134	$ 144,105	$ 425,803
Operating expenses	25,461	238,783	449,473
Operating Income (Loss)	50,673	(94,678)	(23,670)
Nonoperating revenue			
Investment income	3,557	895	24
Gain on sale of assets	-	64,047	-
Future recoverable costs	-	-	3,808
Nonoperating Revenue	3,557	64,942	3,832
Income (Loss) Before Distributions	54,230		
Distribution to Participants	(368,514)	-	-
Change in Net Position	$ (314,284)	$ (29,736)	$ (19,838)

Operating results

Electric revenues in 2018 were $76,134 versus $144,105 in 2017, which is a decrease of $67,971. This decrease resulted from the sale of the asset in November 2017. There was no generated electric revenue in 2018. OMEGA JV1 had contractual capacity revenue through June 2018. Electric revenues in 2017 were $144,105 versus $425,803 in 2016, which is a decrease of $281,698. 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 2018 were $25,461 versus $238,783 in 2017, which is a decrease of $213,322. The decrease in operating expenses in 2018 are due to no operations during the year and the discontinuation and the disposition of the generating units and related facilities. 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 2016 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.

Investment income in 2018 was $3,557 versus $895 in 2017, which is an increase of $2,662. Investment income in 2017 was $895 versus $24 in 2016, which is an increase of $871. Investment income for OMEGA JV1 is interest earned on checking account balances and short-term investments.

There were distributions to participants of OMEGA JV1 in 2018 and no distributions to participants of OMEGA JV1 in 2017.

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
November 30, 2018 and December 31, 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ -	$ 375,437
Prepaid expenses	-	6,675
Total Current Assets	-	382,112
NONCURRENT ASSETS		
Other Assets		
Board designated funds	-	92,115
Total Non-Current Assets	-	92,115
TOTAL ASSETS	$ -	$ 474,227
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ -	$ 22,633
Payable to related parties	-	1,853
Total Current Liabilities	-	24,486
Total Liabilities	-	24,486
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	-	135,457
NET POSITION		
Unrestricted	-	314,284
Total Net Position	-	314,284
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ -	$ 474,227

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Period Ended November 30, 2018 and Year Ended December 31, 2017

	2018	2017
OPERATING REVENUES		
Electric revenue	$ 76,134	$ 144,105
OPERATING EXPENSES		
Related party services	1,440	41,675
Capacity	-	89,128
Depreciation	-	18,184
Fuel	-	403
Maintenance	-	24,948
Utilities	-	7,302
Professional services and insurance	23,039	48,651
Other operating expenses	982	8,492
Total Operating Expenses	25,461	238,783
Operating Income (Loss)	50,673	(94,678)
NONOPERATING REVENUES		
Investment income	3,557	895
Gain on sale of assets	-	64,047
Total Non-Operating Revenues	3,557	64,942
Income (Loss) before Distributions	54,230	(29,736)
DISTRIBUTION TO PARTICIPANTS		
Cuyahoga Falls	(77,572)	-
Niles	(65,264)	-
Wadsworth	(41,384)	-
Hudson	(38,252)	-
Galion	(24,064)	-
Oberlin	(20,342)	-
Amherst	(19,973)	-
Hubbard	(13,967)	-
Columbiana	(11,129)	-
Wellington	(10,834)	-
Newton Falls	(9,323)	-
Monroeville	(6,854)	-
Lodi	(6,338)	-
Seville	(5,528)	-
Brewster	(5,307)	-
Grafton	(4,312)	-
Milan	(2,616)	-
Beach City	(2,064)	-
Prospect	(1,843)	-
Lucas	(848)	-
South Vienna	(700)	-
	(368,514)	-
Change in net position	(314,284)	(29,736)
NET POSITION, Beginning of Year	314,284	344,020
NET POSITION, END OF YEAR	$ -	$ 314,284

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF CASH FLOWS
Period Ended November 30, 2018 and Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 76,134	$ 328,484
Cash paid to related parties for personnel services	(3,293)	(45,664)
Cash payments to suppliers and related parties for goods and services	(39,979)	(189,830)
Refund of rates collected in excess of expenses	(135,457)	
Net Cash Provided by Operating Activities	(102,595)	92,990
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 NONCAPITAL FINANCING ACTIVITIES		
Distribution to participants	(368,514)	-
Net Cash Used in Noncapital Financing Activities	(368,514)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	3,557	895
Net Cash Provided by Financing Activities	3,557	895
Net Change in Cash and Cash Equivalents	(467,552)	201,160
CASH AND CASH EQUIVALENTS, Beginning of Year	467,552	266,392
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ 467,552

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF CASH FLOWS
Period Ended November 30, 2018 and Year Ended December 31, 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 50,673	$ (94,678)
Depreciation	-	18,184
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	-	51,410
Inventory	-	403
Prepaid expenses	6,675	(41)
Accounts payable and accrued expenses	(22,633)	(10,865)
Payable to related parties	(1,853)	(3,989)
Regulatory assets	-	131,044
Deferred inflow of resources	(135,457)	1,522
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (102,595)	$ 92,990
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ -	$ 375,437
Board designated funds	-	92,115
TOTAL CASH AND CASH EQUIVALENTS	$ -	$ 467,552

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. 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 OMEGA JV1 Participants approved the discontinuation and disposition of the generating units and related facilities of OMEGA JV1 and authorized American Municipal Power, Inc. ("AMP") to act as agent in the sale of those assets. All physical assets of OMEGA JV1 were sold and transferred to the City of Cuyahoga Falls, effective November 21, 2017. OMEGA JV1 has been dissolved with remaining funds paid out to the Participants in accordance with their ownership interests as established in the OMEGA JV1 Joint Venture Agreement.

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.

The financial statements are prepared for the eleven months ended on November 30, 2018 and for the year ended December 31, 2017

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.)

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 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 collectability, 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.

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.

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

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

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. The asset obligation was relieved from the sale of the JV1 asset. OMEGA JV1's Board of Participants approved the release of the funds designation with the approval to discontinue operations of the facility.

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 November 30, 2018 and December 31, 2017:

	2018	**2017**
Rates collected for future expenses related to fixed O&M	$ -	$135,457

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%

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.

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

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.

There was no generated electric revenue in 2018. OMEGA JV1 had contractual capacity revenue through June 2018.

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 Nov 30, 2018 and Dec 31, 2017		
	2018	2017	Risks
Checking	$ -	$ 467,552	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 November 30, 2018 and December 31, 2017, there were no deposits exposed to custodial credit risk.

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 November 30, 2018 and December 31, 2017, 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 November 30, 2018 and December 31, 2017, OMEGA JV1 had no investments with interest rate risk.

NOTE 3 – ELECTRIC PLANT

Electric plant activity for the year ended December 31, 2017 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)	$ -	$ -

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 year ended December 31, 2017 is as follows:

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

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

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

OMEGA JV1 was subject to regulation by federal, state and local authorities related to environmental and other matters. The OMEGA JV1 participants approved retirement and sale of the assets of OMEGA JV1, in November 2017 with final decommissioning completed in 2018.

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. There were no expenses related to these services for the periods ended November 30, 2018 and December 31, 2017. OMEGA JV1's payables to AMP as of December 31, 2017 was $1,577.

NOTE 8 – RELATED PARTY TRANSACTIONS (cont.)

- 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 year ended December 31, 2017 was $41,675. OMEGA JV1 had a payable to MESA for $79 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 for the year ended December 31, 2017 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.

NOTE 9 – DISTRIBUTIONS TO PARTICIPANTS

During the period ended November 30, 2018, OMEGA JV1 distributed all remaining assets to participants as part of the discontinuation of OMEGA JV1. The following table summarizes the distributions:

DISTRIBUTION TO PARTICIPANTS

Municipality	Net Position Distributed	Refund of Rates Collected in Excess of Expenses	Cash Paid to Participants
Cuyahoga Falls	$ 77,572	$ 28,514	$ 106,086
Niles	65,264	23,990	89,254
Wadsworth	41,384	15,212	56,596
Hudson	38,252	14,061	52,313
Galion	24,064	8,845	32,909
Oberlin	20,342	7,477	27,819
Amherst	19,973	7,342	27,315
Hubbard	13,967	5,134	19,101
Columbiana	11,129	4,091	15,220
Wellington	10,834	3,982	14,816
Newton Falls	9,323	3,427	12,750
Monroeville	6,854	2,519	9,373
Lodi	6,338	2,330	8,668
Seville	5,528	2,032	7,560
Brewster	5,307	1,951	7,258
Grafton	4,312	1,585	5,897
Milan	2,616	962	3,578
Beach City	2,064	759	2,823
Prospect	1,843	677	2,520
Lucas	848	312	1,160
South Vienna	700	257	957
	$ 368,514	$ 135,457	$ 503,971

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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 November 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the eleven months then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2018, wherein we noted OMEGA JV1 discontinued operations during the period ended November 30, 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
December 21, 2018

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019 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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018, 2017 and 2016
(Unaudited)

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, 2018 and 2017. 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

	2018	2017	2016
Assets			
Electric plant and equipment, net of accumulated depreciation	$ 10,447,236	$ 11,532,146	$ 12,883,041
Regulatory assets	3,225,463	1,743,810	1,594,356
Current assets	2,637,078	3,879,765	4,780,252
Total Assets	$ 16,309,777	$ 17,155,721	$ 19,257,649
Net Position, Liabilities, and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 10,447,236	$ 11,532,146	$ 12,883,041
Net position - unrestricted	(3,812,159)	(1,488,978)	431,874
Current liabilities	2,211,774	1,107,418	1,153,744
Noncurrent liabilities	1,853,590	1,778,779	1,594,771
Deferred inflow of resources	5,609,336	4,226,356	3,194,219
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 16,309,777	$ 17,155,721	$ 19,257,649

2018 vs. 2017

Total assets were $16,309,777 and $17,155,721 on December 31, 2018 and December 31, 2017, respectively, a decrease of $845,944. The decrease in total assets was due to decreases in net capital assets from yearly depreciation of $3,410,764 and decrease in cash and other current assets of $1,242,687 partially offset by capital additions of $2,325,854 and an increase in regulatory assets of $1,481,653.

Electric plant and equipment, net of accumulated depreciation was $10,447,236 and $11,532,146 at year-end 2018 and 2017, respectively, a decrease of $1,084,910. This decrease was primarily the result of yearly depreciation of $3,410,764 partially offset by capital additions of $2,325,854

The cost associated with the ARO included in the cost of electric plant for both 2018 and 2017 was $840,600. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Regulatory assets were $3,225,463 and $1,743,810 at December 31, 2018 and 2017, respectively, an increase of $1,481,653. 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 of $1,370,488, the annual ARO accretion of $74,811 and the regulatory asset related to debt service of $33,680. 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 $2,637,078 and $3,879,765 as of December 31, 2018 and 2017, respectively, a decrease of $1,242,687. This decrease was primarily due to decreases in operating cash of $1,045,418, receivables from participants of $195,830, and prepaid expenses of $32,422. These decreases are partially offset by an increase in fuel inventory of $31,160.

Total liabilities, deferred inflow of resources and net position were $16,309,777 and $17,155,721 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $845,944. This decrease was the result of decreases in Net Position of $3,408,091 partially offset by Rates Intended to recover future costs of $1,382,980 and Total Liabilities of $1,179,167.

Total net position was $6,635,077 and $10,043,168 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $3,408,091. Net investment in capital assets was $10,447,236 and $11,532,146 at December 31, 2018 and December 31, 2017, respectively, a decrease of $1,084,910. The Unrestricted net position was ($3,812,159) and ($1,488,978) at December 31, 2018 and December 31, 2017, respectively, a decrease of $2,323,181.

Deferred inflows of resources were $5,609,336 and $4,226,356 at December 31, 2018 and December 31, 2017, respectively, an increase of $1,382,980. This was mainly a result of an increase in overhaul maintenance amounts billed to participants intended to recover future expenses and capital improvements.

Noncurrent liabilities, comprised entirely of the Asset Retirement Obligation (ARO) were $1,853,590 and $1,778,779 at December 31, 2018 and December 31, 2017, respectively, an increase of $74,811 as the result of the yearly ARO accretion expense.

Current liabilities were $2,211,774 and $1,107,241 as of December 31, 2018 and December 31, 2017, respectively, an increase of $1,104,533. This increase was primarily the result of increased payable to related parties of $949,783 as well as increased accounts payable obligations to third party vendors of $154,573.

2017 vs. 2016

Total assets were $17,155,721 and $19,257,649 on December 31, 2017 and December 31, 2016, respectively, a decrease of $2,101,928. 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 $1,712,568 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 $3,879,765 and $4,780,252 as of December 31, 2017 and 2016, respectively, a decrease of $900,487. This decrease was primarily due to decreases in receivables from related parties of $1,712,568, 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 $17,155,721 and $19,257,649 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $2,101,928. 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 $4,226,356 and $3,194,219 at December 31, 2017 and December 31, 2016, respectively, an increase of $1,032,137. 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

	2018	2017	2016
Operating revenues	$ 12,322,705	$ 11,993,689	$ 13,038,501
Operating expenses	15,778,054	15,345,577	16,388,271
Operating Loss	$ (3,455,349)	$ (3,351,888)	$ (3,349,770)
Nonoperating revenue			
Investment income	$ 16,106	$ 7,368	$ 147
Other nonoperating revenue	(46,333)		
Future recoverable costs	77,485	72,773	76,700
Nonoperating Revenue	47,258	80,141	76,847
Change in Net Position	$ (3,408,091)	$ (3,271,747)	$ (3,272,923)

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 2018 were $12,322,705 versus $11,993,689 in 2017, an increase of $329,016, mainly due to an increased fixed demands partially offset by decreased 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 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.

OMEGA JV2 operating expenses in 2018 were $15,778,054 versus $15,345,577 in 2017, an increase of $432,477. This increase in expense was due to higher maintenance costs in 2018 vs 2017 of $1,082,006 primarily as a result an overhaul on the three gas turbines plus other net increases of $275,359 year over year offset by decreased capacity expenses in 2018 vs 2017 of $1,239,124. 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 maintenance expense of $37,275, 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.

Investment income in 2018 was $16,106 versus $7,368 in 2017, an increase of $8,738. This increase in investment income is due to higher cash balances being held in interest bearing checking accounts year over 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.

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, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 1,385,859	$ 2,431,277
Receivables from participants	901,978	1,097,808
Receivables from related parties	-	177
Inventory	218,342	187,182
Prepaid expenses	130,899	163,321
Total Current Assets	2,637,078	3,879,765
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric generators	62,284,873	60,251,458
Construction work in progress	1,822,722	1,886,298
Accumulated depreciation	(53,660,359)	(50,605,610)
Net Electric Plant and Equipment	10,447,236	11,532,146
Other Assets		
Regulatory assets	3,225,463	1,743,810
Total Non-Current Assets	13,672,699	13,275,956
TOTAL ASSETS	$ 16,309,777	$ 17,155,721
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,083,603	$ 929,030
Payable to related parties	1,128,171	178,388
Total Current Liabilities	2,211,774	1,107,418
NONCURRENT LIABILITIES		
Asset retirement obligation	1,853,590	1,778,779
Total Noncurrent Liabilities	1,853,590	1,778,779
Total Liabilities	4,065,364	2,886,197
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	5,609,336	4,226,356
NET POSITION		
Net investment in capital assets	10,447,236	11,532,146
Unrestricted	(3,812,159)	(1,488,978)
Total Net Position	6,635,077	10,043,168
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 16,309,777	$ 17,155,721

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, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Electric revenue	$ 12,322,705	$ 11,993,689
OPERATING EXPENSES		
Related party services	986,859	1,129,500
Capacity	7,492,317	8,731,441
Depreciation	3,410,764	3,274,720
Accretion of asset retirement obligation	74,811	69,799
Fuel	717,495	397,326
Maintenance	1,784,265	702,259
Utilities	136,172	98,624
Insurance	274,149	289,488
Professional services	505,123	229,133
Other operating expenses	396,099	423,287
Total Operating Expenses	15,778,054	15,345,577
Operating Loss	(3,455,349)	(3,351,888)
NONOPERATING REVENUES		
Investment income	16,106	7,368
Loss on disposition of property	(46,333)	-
Future recoverable costs	77,485	72,773
Total Non-Operating Revenues	47,258	80,141
Change in net position	(3,408,091)	(3,271,747)
NET POSITION, Beginning of Year	10,043,168	13,314,915
NET POSITION, END OF YEAR	$ 6,635,077	$ 10,043,168

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 13,901,515	$ 13,326,506
Cash paid to related parties for personnel services	(36,899)	(1,214,419)
Cash payments to suppliers and related parties for goods and services	(12,553,953)	(9,222,372)
Net Cash Provided by Operating Activities	1,310,663	2,889,715
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,372,187)	(1,901,249)
Net Cash (Used in) Capital and Related Investing Activities	(2,372,187)	(1,901,249)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	16,106	7,368
Net Cash Provided by Financing Activities	16,106	7,368
Net Change in Cash and Cash Equivalents	(1,045,418)	995,834
CASH AND CASH EQUIVALENTS, Beginning of Year	2,431,277	1,435,443
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,385,859	$ 2,431,277

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (3,455,349)	$ (3,351,888)
Depreciation	3,410,764	3,274,720
Accretion of asset retirement obligation	74,811	69,799
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	195,830	102,603
Receivables from related parties	177	1,712,391
Inventory	(31,160)	(51,628)
Prepaid expenses	32,422	(9,103)
Accounts payable and accrued expenses	154,573	38,593
Payable to related parties	949,783	(84,919)
Regulatory assets	(1,404,168)	157,010
Deferred inflow of resources	1,382,980	1,032,137
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,310,663	$ 2,889,715
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 1,385,859	$ 2,431,277
TOTAL CASH AND CASH EQUIVALENTS	$ 1,385,859	$ 2,431,277
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	$ -	$ (114,209)

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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:

Description	2018	2017
Future Expenses related to Asset Retirement	$ 1,821,295	$ 1,743,810
Future Expenses related to Other	1,370,488	-
Future Expenses related to Debt Service	33,680	-
	$ 3,225,463	$ 1,743,810

Deferred Inflow of Resources

OMEGA JV2 records deferred inflows of resources (rates collected for expenses not yet incurred). The balance consists 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:

	2018	2017
Future expenses related to overhaul maintenance and fixed O&M	$ 5,609,336	$ 4,226,356

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		
	2018	2017	Risks
Checking	$ 1,385,859	$ 2,431,277	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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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:

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Electric generators	$ 60,251,458	$ 2,435,763	$ (402,348)	$ 62,284,873
Construction Work-in-Progress	1,886,298	3,648,295	(3,711,871)	1,822,722
Less: Accumulated depreciation	(50,605,610)	(3,410,764)	356,015	(53,660,359)
Electric Plant and Equipment, Net	$ 11,532,146	$ 2,673,294	$(3,758,204)	$ 10,447,236

	2017				
	Beginning Balance	Additions	Retirements	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

During 2017 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:

	2018			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,778,779		$ 74,811	$ 1,853,590

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

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.

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:

	2018	2017
Electric Plant, Equipment Assets, and Construction Work-in-Progress	$ 63,266,995	$ 61,297,156
Asset Retirement Obligation	840,600	840,600
Accumulated Depreciation	(53,660,359)	(50,605,610)
Total Net Investment in Capital Assets	$ 10,447,236	$ 11,532,146

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, 2018 and 2017 was $202,037 and $188,260, respectively. OMEGA JV2's payables to AMP as of December 31, 2018 and 2017 were $1,026,627 and $89,224, 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 $784,822 and $941,240 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV2 had a payable to MESA for $66,798 and $59,551 at December 31, 2018 and 2017, respectively. OMEGA JV2 had a payable to AMP for $34,746 and $29,436 at December 31, 2018 and 2017, respectively.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $136,172 and $98,624 for these services for the years ended December 31, 2018 and 2017, 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, 2018, 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 17, 2019.

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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019 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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018, 2017 and 2016
(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, 2018 and 2017. 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

	2018	2017	2016
Assets			
Transmission line, net of accumulated depreciation	$ 689,723	$ 787,998	$ 886,273
Board designated funds	450,000	400,000	350,000
Current assets	356,228	316,880	428,787
Total Assets	$ 1,495,951	$ 1,504,878	$ 1,665,060
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 689,723	$ 787,998	$ 886,273
Net position - unrestricted	(359,899)	(224,899)	(52,549)
Current liabilities	23,915	24,925	12,136
Deferred inflow of resources	1,142,212	916,854	819,200
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 1,495,951	$ 1,504,878	$ 1,665,060

2018 vs. 2017

Total assets were $1,495,951 and $1,504,878 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $8,927. The decrease in 2017 total assets is due to the yearly depreciation of $98,275 partially offset by increases in operating cash of $39,297, receivables of $51, and Board designated funds of $50,000. The Board designated funds are an annual maintenance reserve contribution specifically earmarked for the decommissioning of power lines.

Utility plant, net of accumulated depreciation was $689,723 and $787,998 at year-end 2018 and 2017, respectively, a decrease of $98,275. The decrease was the result of the annual depreciation.

Current assets were $356,228 and $316,880 at December 31, 2018 and December 31, 2017, respectively, an increase of $39,348. Cash and temporary investments increased by $39,297 and receivables increased by $51.

Total net position, liabilities, and deferred inflow of resources were $1,495,951 and $1,504,878 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $8,927.

Total net position was $329,824 and $563,099 at December 31, 2018 and December 31, 2017, respectively, a decrease of $233,275. Net investment in capital assets was $689,723 and $787,998 at December 31, 2018 and December 31, 2017, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was ($359,899) and ($224,899) at December 31, 2018 and December 31, 2017, respectively, a decrease of $135,000, which was due to distributions to members.

Current liabilities were $23,915 and $24,925 at December 31, 2018 and December 31, 2017, respectively, a decrease of $1,010. This resulted from a decrease in payables to related parties of $1,010.

Deferred inflow of resources increased to $1,142,212 at December 31, 2018 from $916,854 at December 31, 2017, which is an increase of $225,358. This was a result of member billings in excess of operating and maintenance incurred.

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. The decreases in operating expenses 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.

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

	2018	2017	2016
Operating revenues	$ 44,641	$ 172,346	$ 53,597
Operating expenses	149,540	272,692	148,428
Operating Income (Loss)	(104,899)	(100,346)	(94,831)
Nonoperating revenues			
Investment income	6,624	2,072	1,056
Income (Loss) before Distributions	(98,275)	(98,274)	(93,775)
Distributions to participants	135,000	172,351	172,351
Change in Net Position	$ (233,275)	$ (270,625)	$ (266,126)

Total operating revenues in 2018 were $44,641 versus $172,346 in 2017, which is a decrease of $127,705. Transmission member revenue billed year over year remained constant at $270,000, however 2018 operating expenses were less than the prior year due to decreased tree trimming expense resulting in greater deferred inflow of resources from the prior year and lower total operating revenues.

Operating expenses in 2018 were $149,540 versus $272,692 in 2017, which is a decrease of $123,152. The decrease in 2018 operating expenses is due mainly to decreased tree trimming expenses of $121,500. Operating expenses in 2017 were $272,692 versus $148,428 in 2016, which was an increase of $124,264.

Investment income in 2018 was $6,624 versus $2,072 in 2017, an increase of $4,552 due to an increase in the balance of investments earning interest. Investment income in 2017 was $2,072 versus $1,065 in 2016, which is an increase of $1,016 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, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 333,677	$ 294,380
Receivables	22,551	22,500
Total Current Assets	356,228	316,880
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,645,438	2,645,438
Accumulated depreciation	(1,955,715)	(1,857,440)
Net Utility Plant	689,723	787,998
Other Assets		
Board designated funds	450,000	400,000
Total Non-Current Assets	1,139,723	1,187,998
TOTAL ASSETS	$ 1,495,951	$ 1,504,878
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accrued expenses	$ 22,000	$ 22,000
Payable to related parties	1,915	2,925
Total Current Liabilities	23,915	24,925
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	1,142,212	916,854
NET POSITION		
Net investment in capital assets	689,723	$ 787,998
Unrestricted	(359,899)	(224,899)
Total Net Position	329,824	563,099
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 1,495,951	$ 1,504,878

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, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Transmission revenue	$ 44,641	$ 172,346
OPERATING EXPENSES		
Related party personnel services	22,344	16,196
Depreciation	98,275	98,275
Maintenance	6,405	3,174
Professional services	22,516	33,234
Other operating expenses	-	121,813
Total Operating Expenses	149,540	272,692
Operating Loss	(104,899)	(100,346)
NONOPERATING REVENUES		
Investment income	6,624	2,072
Loss before Distributions	(98,275)	(98,274)
DISTRIBUTIONS TO PARTICIPANTS		
City of Bryan	(56,700)	(72,387)
Village of Pioneer	(40,500)	(51,705)
Village of Montpelier	(33,750)	(43,088)
Village of Edgerton	(4,050)	(5,171)
Total Distributions	(135,000)	(172,351)
Change in net position	(233,275)	(270,625)
NET POSITION, Beginning of Year	563,099	833,724
NET POSITION, END OF YEAR	$ 329,824	$ 563,099

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 269,948	$ 288,678
Cash paid to related parties for personnel services	(23,354)	(14,413)
Cash paid to suppliers and related parties for goods and services	(28,921)	(147,215)
Net Cash Provided by Operating Activities	217,673	127,050
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(135,000)	(172,351)
Net Cash Used in Noncapital Financing Activities	(135,000)	(172,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	6,624	2,072
Net Cash Provided by Financing Activities	6,624	2,072
Net Change in Cash and Cash Equivalents	89,297	(43,229)
CASH AND CASH EQUIVALENTS, Beginning of Year	694,380	737,609
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 783,677	$ 694,380

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (104,899)	$ (100,346)
Depreciation	98,275	98,275
Changes in assets, liabilities and deferred inflow of resources		
Receivables	(51)	18,678
Accrued expenses	-	11,006
Payable to related parties	(1,010)	1,783
Deferred inflow of resources	225,358	97,654
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 217,673	$ 127,050
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 333,677	$ 294,380
Board designated funds	450,000	400,000
TOTAL CASH AND CASH EQUIVALENTS	$ 783,677	$ 694,380

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 2018 and 2017 OMEGA JV4 derived 100% 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 collectability, 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,		
	2018	2017	Risks
Checking	$ 783,677	$ 694,380	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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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:

	2018		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,645,438	$ -	$ 2,645,438
Less: Accumulated depreciation	(1,857,440)	(98,275)	(1,955,715)
Utility Plant, Net	$ 787,998	$ (98,275)	$ 689,723

	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

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:

	2018	2017
Plant in service	$2,645,438	$2,645,438
Accumulated depreciation	(1,955,715)	(1,857,440)
Total Net Investment in Capital Assets	$ 689,723	$ 787,998

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 2018 and 2017 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, 2018, 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 $0 and $313 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV4 had a payable of $0 due to AMP as of December 31, 2018 and $313 as of December 31, 2017.

- 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 $22,344 and $16,196 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV4 had a payable to MESA of $702 and $324 at December 31, 2018 and 2017, respectively. OMEGA JV4 had a payable to AMP of $1,213 and $2,288 at December 31, 2018 and 2017, 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 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, 2018, 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 17, 2019.

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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2018 and 2017

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
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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019 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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018, 2017 and 2016
(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, 2018 and 2017. 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:

	2018	2017	2016
Assets			
Current assets	$ 15,570,159	$ 13,609,416	$ 11,011,850
Restricted assets - noncurrent	3,804,408	7,853,537	6,194,724
Electric plant and land	92,687,389	99,689,071	104,169,732
Other assets	1,315,256	1,792,644	2,567,268
Total assets	$ 113,377,212	$ 122,944,668	$ 123,943,574
Net Position, Liabilities, and Deferred Inflow of Resources			
Net investment in capital assets	$ 28,405,999	$ 26,731,995	$ 27,060,500
Net position - restricted	3,804,408	7,853,537	6,194,724
Net position - unrestricted	(29,222,520)	(31,597,645)	(30,267,337)
Net beneficial interest certificates	64,281,390	72,957,076	77,109,232
Current liabilities	1,875,958	1,453,011	4,106,494
Noncurrent liabilities	461,407	483,404	558,469
Deferred inflow of resources	43,770,570	45,063,290	39,181,492
Total net position, liabilities, and deferred inflow of resources	$ 113,377,212	$ 122,944,668	$ 123,943,574

2018 vs. 2017

Total assets were $113,377,212 and $122,944,668 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $9,567,456. The decrease is due to a decrease in Net Electric Plant and Equipment of $7,001,682 and other Non-Current assets of $4,526,517 these decreases were partially offset by increases in cash and temporary investments of $1,340,799 and other current assets of $619,944.

Total current assets were $15,570,159 and $13,609,416 as of December 31, 2018 and December 31, 2017, respectively, an increase of $1,960,743. This increase is due to increases in cash and temporary investments of $1,340,799, receivables from participants and receivables from related parties of $75,912 and $598,505, respectively as well as prepaid expenses of $21,065. These increases were partially offset by a decrease of $60,976 in inventory and $14,562 in accrued interest.

Utility plant assets were $92,687,389 and $99,689,071 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $7,001,682. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,691,689 and the sale of capital assets with a net book value of $2,309,993. In 2018, OMEGA JV5 has an estimated ARO asset of $317,673. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Noncurrent restricted assets were $3,804,408 and $7,853,537 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $4,049,129 as the result of using these funds to pay down debt. These assets at December 31, 2018 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 $1,315,256 and $1,792,644 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $477,388. The decrease is due to a decrease of $463,561 in regulatory assets due to operating expenses incurred for the year being lower than the revenues collected and a decrease in prepaid bond insurance of $13,827 for amortization.

Total net position, liabilities, and deferred inflow of resources were $113,377,212 and $122,944,668 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $9,567,456.

Net position was $2,987,887 at December 31, 2018 and December 31, 2017.

Net Beneficial Interest Certificates were $64,281,390 and $72,957,076 at December 31, 2018 and December 31, 2017, respectively, a decrease of $8,675,686. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization.

Current liabilities excluding the current portion of 2016 Certificates were $1,875,958 and $1,453,011 at December 31, 2018 and December 31, 2017, respectively, an increase of $422,947. This increase was mainly due to an increase of $468,141 in accounts payable and accrued expenses partially offset by a decrease of $44,714 in payables to related parties for engineering, finance, administration and other services.

Noncurrent liabilities were $461,407 and $483,404 at December 31, 2018 and December 31, 2017, respectively, a decrease of $21,997. This was the result of a decrease in accrued license fees of $21,997. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2018 and 2017. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $43,770,570 and $45,063,290 as of December 31, 2018 and December 31, 2017, respectively a decrease of $1,292,720. This was primarily the result of revenue received in excess of expense along with revenue received for OMEGA JV5 refinancing interest and trust covenant.

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.

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

	2018	2017	2016
Operating revenues	$ 24,358,041	$ 18,353,035	$ 20,869,026
Operating expenses	20,452,791	16,006,989	18,285,607
Operating income	3,905,250	2,346,046	2,583,419
Nonoperating income and expense			
Investment income (loss)	283,208	189,208	(94,661)
Interest expense	(2,472,638)	(2,521,427)	(2,237,266)
Loss on disposition of property	(1,701,993)	-	-
Bond issuance costs	-	-	(221,290)
Amortization	(13,827)	(13,827)	(30,202)
Total Nonoperating income/(expense)	(3,905,250)	(2,346,046)	(2,583,419)
Change in net position	$ -	$ -	$ -

Operating results

Operating revenues were $24,358,041 in 2018, an increase of $6,005,006 from 2017 operating revenue of $18,353,035. 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 $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 expenses were $20,452,791 in 2018, an increase of $4,445,802 from 2017 operating expenses of $16,006,989. This increase was the result of higher purchased power expense of $3,589,428 and capacity expense of $152,543, maintenance expense of $197,877, professional services of $133,563, and other services of $304,651. All other expenses netted to an increase of $67,740.

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.

Non-Operating expense totaled $3,905,250 in 2018 and $2,346,046 in 2017, respectively, an increase of $1,559,204. This increase resulted primarily from the sale of assets that netted a loss of $1,701,993.

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.

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, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 12,564,835	$ 11,224,036
Receivables from participants	2,183,184	2,107,272
Receivables from related parties	598,505	-
Accrued interest receivable	100,247	114,809
Inventory	-	60,976
Prepaid expenses	123,388	102,323
Total Current Assets	15,570,159	13,609,416
NONCURRENT ASSETS		
Restricted Assets		
Restricted assets - funds held by trustee	3,804,408	7,853,537
Electric Plant and Land		
Electric plant in service	182,447,358	186,919,294
Land	431,881	431,881
Accumulated depreciation	(90,191,850)	(87,662,104)
Net Electric Plant and Equipment	92,687,389	99,689,071
Other Assets		
Prepaid bond insurance, net	167,072	180,899
Regulatory assets	1,148,184	1,611,745
Total Non-Current Assets	97,807,053	109,335,252
TOTAL ASSETS	$ 113,377,212	$ 122,944,668
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,618,424	$ 1,150,283
Payables to related parties	204,741	249,455
2016 beneficial interest certificates - current	6,150,000	6,050,000
Accrued interest	52,793	53,273
Total Current Liabilities	8,025,958	7,503,011
NONCURRENT LIABILITIES		
Accrued license fees	143,734	165,731
2016 beneficial interest certificates	22,165,000	32,850,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(20,158,610)	(22,067,924)
Asset retirement obligation	317,673	317,673
Total Noncurrent Liabilities	58,592,797	67,390,480
Total Liabilities	66,618,755	74,893,491
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	43,770,570	45,063,290
TOTAL DEFERRED INFLOW OF RESOURCES	43,770,570	45,063,290
NET POSITION		
Net investment in capital assets	28,405,999	26,731,995
Restricted	3,804,408	7,853,537
Unrestricted	(29,222,520)	(31,597,645)
Total Net Position	2,987,887	2,987,887
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 113,377,212	$ 122,944,668

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, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Electric revenue	$ 24,358,041	$ 18,353,035
OPERATING EXPENSES		
Purchased power	6,545,866	2,956,438
Capacity	2,456,929	2,304,386
Related party services	2,029,937	1,959,033
Depreciation	4,691,689	4,734,238
Maintenance	1,694,097	1,496,220
Utilities	178,808	140,065
Insurance	228,347	227,705
Professional services	163,104	29,541
Payment in lieu of taxes	840,000	840,000
Other operating expenses	1,624,014	1,319,363
Total Operating Expenses	20,452,791	16,006,989
Operating Income	3,905,250	2,346,046
NONOPERATING INCOME AND EXPENSE		
Investment income	283,208	189,208
Interest expense	(2,472,638)	(2,521,427)
Amortization of insurance	(13,827)	(13,827)
Loss on dispositon of property	(1,701,993)	-
Total Non-Operating Expense	(3,905,250)	(2,346,046)
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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 22,854,465	$ 26,979,833
Cash paid to related parties for personnel services	(2,074,651)	(4,254,843)
Cash payments to suppliers and related parties for goods and services	(13,245,110)	(10,365,692)
Net Cash Provided by Operating Activities	7,534,704	12,359,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on debt issuance	(10,585,000)	(5,960,000)
Proceeds from sale of Asset	608,000	-
Interest payments on debt issuance	(563,804)	(699,782)
Acquistion of capital assets	-	(253,577)
Net Cash Used in Capital and Related Investing Activities	(10,540,804)	(6,913,359)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments sold (purchased)	4,049,129	(1,658,813)
Investment income received	297,770	138,153
Net Cash Provided by (Used in) Investing Activities	4,346,899	(1,520,660)
Net Change in Cash and Cash Equivalents	1,340,799	3,925,279
CASH AND CASH EQUIVALENTS, Beginning of Year	11,224,036	7,298,757
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,564,835	$ 11,224,036

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,905,250	$ 2,346,046
Noncash items in operating income		
Depreciation	4,691,689	4,734,238
Changes in assets and liabilities		
Receivables from participants	(75,912)	(620,723)
Receivables from related parties	(598,505)	1,960,237
Regulatory assets	463,561	760,797
Inventory	60,976	27,807
Prepaid expenses	(21,065)	11,447
Deferred inflow of resources	(1,292,720)	5,881,798
Accounts payable and accrued expenses	468,141	(371,474)
Payable to related parties	(44,714)	(2,295,810)
Accrued license fees	(21,997)	(75,065)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,534,704	$ 12,359,298

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 2018 or 2017.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying Value as of December 31, 2018	Carrying Value as of December 31, 2017	Risks
Checking/Money Market Funds	$ 15,281,236	$ 14,492,660	Custodial credit
Government Money Market Mutual Fund	1,088,007	4,584,913	Credit, interest rate
Total Cash, Cash Equivalents, and Investments	$ 16,369,243	$ 19,077,573	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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
2018	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 1,088,007
2017	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 4,584,913

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, 2018 and 2017, 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:

	2018	2017
Restricted Assets		
Certificate payment fund	$ 1,014,136	$ 2,988,587
Reserve and contingency fund	2,788,988	3,268,624
Bond redemption fund	1,284	1,596,326
Total restricted assets	$ 3,804,408	$ 7,853,537

NOTE 4 – UTILITY PLANT

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

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Electric Plant and Equipment	$186,919,294	$ -	$ (4,471,936)	$182,447,358
Land	431,881			431,881
Total Utility Plant in Service	187,351,175	-	(4,471,936)	182,879,239
Less: Accumulated depreciation	(87,662,104)	(4,691,689)	2,161,943	(90,191,850)
Utility Plant, Net	$99,689,071	$(4,691,689)	$(2,309,993)	$92,687,389

	2017		
	Beginning Balance	Additions	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)

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 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 June 1, 2023. 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.

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2016 Certificates at December 31, 2018 are as follows:

Maturity date	Principal Amount	Interest Rate
2019	$ 6,150,000	
2020	$ 6,250,000	
2021	$ 6,345,000	Variable
2022	$ 6,450,000	
2023	$ 3,120,000	
	$ 28,315,000	

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.

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

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

	Investment	Maturity Date	Fair Value at December 31, 2018	Fair Value at December 31, 2017
Level 3	Interest rate swap contracts	February 15, 2021	$ 252,602	$ 253,327

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.

The 2001 Beneficial Interest Certificates (the “2001 Certificates”) outstanding at December 31, 2018 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	(20,158,610)	
Total	$ 35,966,390	

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.

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

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, 2018 and 2017, there were no participants unable to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

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

	December 31, 2018		December 31,2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 35,966,390	$ 44,115,001	$ 34,057,076	$ 44,057,332

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

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
2016 certificates	$ 38,900,000	$ -	$ (10,585,000)	$ 28,315,000
2001 certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(22,067,924)	-	1,909,314	(20,158,610)
	72,957,076	-	(8,675,686)	64,281,390
Asset retirement obligation	317,673	-	-	317,673
Accrued license fees	165,731	-	(21,997)	143,734
Totals	$ 73,440,480	$ -	$ (8,697,683)	$ 64,742,797

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

	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
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

Deferred inflow of resources at December 31 is as follows:

	2018	2017
Debt service billed to Participants for Certificates in excess of related expenses	$32,094,108	$33,990,200
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	10,924,416	10,482,947
Renewable Energy Credits	369,199	206,571
Fair Value of Interest Rate Swap	252,602	253,327
Inventories billed to Participants	130,245	130,245
Total Deferred Inflow of Resources	$43,770,570	$45,063,290

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.

NOTE 8 – NET POSITION (cont.)

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:

	2018	2017
Plant assets	$ 182,447,358	$ 186,919,294
Land	431,881	431,881
Accumulated depreciation	(90,191,850)	(87,662,104)
Sub-Totals	92,687,389	99,689,071
Related debt:		
2016 beneficial interest certificates	28,315,000	38,900,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount – 2001 Beneficial interest certificates	(20,158,610)	(22,067,924)
Sub-Totals	64,281,390	72,957,076
Total Net Investment In Capital Assets	$ 28,405,999	$ 26,731,995

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

OMEGA JV5 facilities are subject to regulation by federal, state and local authorities related to Environmental and other matters. In 2018, certain generating assets were shut down and decommissioned. Consequently, the risks inherent to operating air emissions sources have been ameliorated. Ohio EPA regulates the shutdown of industrial facilities through the Cessation of Regulated Operations program, and there are no outstanding CRO issues at any of these former operating locations.

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 2018.

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, 2018 and 2017 was $142,306 and $133,262, respectively. OMEGA JV5's payables to AMP as of December 31, 2018 and 2017 were $204,012 and $151,636, 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, 2018 and 2017 amounted to $3,996,103 and $3,020,382, respectively.

- 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 $1,874,458 and $1,818,828 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV5 had payables to MESA of $0 and $97,240 at December 31, 2018 and 2017, respectively. OMEGA JV5 had a receivable from MESA of $598,475 at December 31, 2018.

- 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 $13,173 and $6,943 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV5 had payables to OMEA $729 and $579 as of December 31, 2018 and 2017, 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 $11,700 and $70,200 as of December 31, 2018 and 2017, respectively.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $178,808 and $140,065 for these services for the years ended December 31, 2018 and 2017, respectively.

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CLARK SCHAEFER HACKETT
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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, 2018, 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 17, 2019.

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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019 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 17, 2019

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018, 2017, 2016
(Unaudited)

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, 2018 and 2017. 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:

Assets	**2018**	**2017**	**2016**
Electric plant, net of accumulated depreciation	$ 4,799,046	$ 5,110,420	$ 5,428,183
Regulatory assets	752,945	699,176	589,527
Current assets and Board designated funds	1,566,828	1,819,508	1,698,672
Total Assets	$ 7,118,819	$ 7,629,104	$ 7,716,382
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 4,799,046	$ 5,110,420	$ 5,428,183
Net position - unrestricted	59,581	47,916	29,863
Current liabilities	274,336	69,001	34,065
Assets retirement obligation	931,650	889,546	797,951
Deferred inflow of resources	1,054,206	1,512,221	1,426,320
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 7,118,819	$ 7,629,104	$ 7,716,382

2018 vs. 2017

Total assets were $7,118,819 and $7,629,104 as of December 31, 2018 and December 31 2017, respectively, a decrease of $510,285. This decrease primarily results from annual depreciation of $311,374 and a decrease in cash and temporary investments of $383,473.

> Current assets and board designated funds were $1,566,828 and $1,819,508 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $252,680. This decrease was due to a decrease in cash and temporary investments of $383,473, and a decrease in receivables from participants of $476. These decreases are partially offset by increases in board designated funds of $93,980, prepaid expenses of $34,018 and receivables from related parties of $3,271.
>
> Non-current assets excluding board designated funds were $5,551,991 and $5,809,596 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $257,605. This decrease was due to annual depreciation for the electric plant of $311,374, partially offset by an increase in regulatory assets of $53,769. Regulatory Assets represent a 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 $7,118,819 and $7,629,104 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $510,285.

> Total net position was $4,858,627 and $5,158,336 at December 31, 2018 and December 31, 2017, respectively, a decrease of $299,709. Net investment in capital assets was $4,799,046 and $5,110,420 at December 31, 2018 and December 31, 2017, respectively, a decrease of $311,374. Unrestricted net position was $59,581 and $47,916 at December 31, 2018 and December 31, 2017, respectively.
>
> Current liabilities were $274,336 and $69,001 at December 31, 2018 and December 31, 2017, respectively, an increase of $205,335. This resulted from an increase accounts payable and accrued expenses of $205,115 and an increase in payables to related parties of $220.
>
> Non-current liabilities were $931,650 and $889,546 as of December 31, 2018 and December 31, 2017 respectively, an increase of $42,104. This increase was due to the current year accretion expense.
>
> Deferred inflow of resources decreased to $1,054,206 at December 31, 2018 from $1,512,221 at December 31, 2017, respectively, a decrease of $458,015. This is a result of revenue collected during the year being less than expenses incurred.

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.

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

	2018	2017	2016
Operating revenues	$ 1,006,075	$ 387,709	$ 457,030
Operating expenses	1,372,360	742,905	802,921
Operating Loss	(366,285)	(355,196)	(345,891)
Nonoperating revenue			
Investment income	12,807	4,387	138
Future recoverable costs	53,769	51,099	46,043
Nonoperating Revenue	66,576	55,486	46,181
Change in Net Position	$ (299,709)	$ (299,710)	$ (299,710)

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. Electric revenue in 2018 was $1,006,075 versus $387,709 in 2017, which is an increase of $618,366. The increase in electric revenue is primarily due to increases in fixed costs of $549,159, and Capacity sales of $69,207. 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.

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. 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 2018 were $1,372,360 versus $742,905 versus in 2017, which is an increase of $629,455. The increase in operating expenses in 2018 is due mainly to increases in scheduled maintenance expense of $615,806, related party services expense of $19,946 and insurance expense of $5,646 offset by decreases in professional services expense of $10,663 and capacity expense of $4,075.

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.

Investment income in 2018 was $12,807 versus $4,387 in 2017, an increase of $8,420. Investment income in 2017 was $4,387 versus $138 in 2016, an increase of $4,249. 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, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 547,153	$ 930,626
Receivables from participants	40,640	41,116
Receivables from related parties	3,271	-
Prepaid expenses	44,114	10,096
Total Current Assets	635,178	981,838
NONCURRENT ASSETS		
Regulatory assets	752,945	699,176
Board designated funds	931,650	837,670
Electric Plant		
Electric plant	9,401,557	9,401,557
Accumulated depreciation	(4,602,511)	(4,291,137)
Net Electric Plant	4,799,046	5,110,420
Total Non-Current Assets	6,483,641	6,647,266
TOTAL ASSETS	$ 7,118,819	$ 7,629,104
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 267,285	$ 62,170
Payable to related parties	7,051	6,831
Total Current Liabilities	274,336	69,001
NONCURRENT LIABILITIES		
Asset retirement obligation	931,650	889,546
Total Noncurrent Liabilities	931,650	889,546
Total Liabilities	1,205,986	958,547
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	1,054,206	1,512,221
NET POSITION		
Net investment in capital assets	4,799,046	5,110,420
Unrestricted	59,581	47,916
Total Net Position	4,858,627	5,158,336
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 7,118,819	$ 7,629,104

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, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Electric revenue	$ 1,006,075	$ 387,709
OPERATING EXPENSES		
Related party services	49,624	29,678
Capacity	28,475	32,550
Depreciation	311,374	311,089
Accretion of asset retirement obligation	42,104	39,719
Maintenance	864,978	249,172
Insurance	26,731	21,085
Professional services	22,602	33,265
Other operating expenses	26,472	26,347
Total Operating Expenses	1,372,360	742,905
Operating Loss	(366,285)	(355,196)
NONOPERATING REVENUES		
Investment income	12,807	4,387
Future recoverable costs	53,769	51,099
Total Non-Operating Revenues	66,576	55,486
Change in net position	(299,709)	(299,710)
NET POSITION, Beginning of Year	5,158,336	5,458,046
NET POSITION, END OF YEAR	$ 4,858,627	$ 5,158,336

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 545,265	$ 694,639
Cash paid to related parties for personnel services	(49,404)	(43,288)
Cash payments to suppliers and related parties for goods and services	(798,161)	(469,807)
Net Cash Provided by Operating Activities	(302,300)	181,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	12,807	4,387
Net Cash Provided by Financing Activities	12,807	4,387
Net Change in Cash and Cash Equivalents	(289,493)	185,931
CASH AND CASH EQUIVALENTS, Beginning of Year	1,768,296	1,582,365
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,478,803	$ 1,768,296

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (366,285)	$ (355,196)
Depreciation	311,374	311,089
Accretion of asset retirement obligation	42,104	39,719
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	476	(720)
Receivables from related parties	(3,271)	61,000
Prepaid expenses	(34,018)	4,814
Accounts payable and accrued expenses	205,115	48,547
Payable to related parties	220	(13,610)
Deferred inflow of resources	(458,015)	85,901
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (302,300)	$ 181,544
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 547,153	$ 930,626
Board designated funds	931,650	837,670
Total Cash Accounts	1,478,803	1,768,296
TOTAL CASH AND CASH EQUIVALENTS	$ 1,478,803	$ 1,768,296
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	$ -	$ 4,991

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:

	2018	2017
Future expenses related to asset retirement obligations	$ 752,945	$ 699,176

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:

	2018	2017
Future expenses related to Fixed O&M	$ 1,054,206	$ 1,512,221

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,		
	2018	2017	Risks
Checking	$ 1,478,803	$ 1,768,296	Custodial credit
Totals	$ 1,478,803	$ 1,768,296	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2018 and 2017.

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, 2018 and 2017, 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:

	2018			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	$ 9,401,557	$ -	$ -	$ 9,401,557
Less: Accumulated depreciation	(4,291,137)	(311,374)	$ -	(4,602,511)
Electric Plant, Net	$ 5,110,420	$ (311,374)	$ -	$ 4,799,046

	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

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:

	2018			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 889,546	$ 42,104	$ -	$ 931,650

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

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.

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:

	2018	2017
Electric plant	$ 9,401,557	$ 9,401,557
Accumulated depreciation	(4,602,511)	(4,291,137)
Total Net Investment in Capital Assets	$ 4,799,046	$ 5,110,420

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 been anecdotal reports of some dead bats observed near the project by an outside college study group. If a regulatory agency evaluates wildlife collisions and concludes there is a 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% of electric service revenue in 2018 and 2017.

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 $2,935 and of $2,781 for the years ended December 31, 2018 and 2017, respectively, and had a payable of $2,633 and $4,260 to AMP at December 31, 2018 and 2017, 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 $46,689 and $26,897 for the years ended December 31, 2018 and 2017, respectively. OMEGA JV6 had a payable to MESA for $2,346 and $961 at December 31, 2018 and 2017, respectively. OMEGA JV6 had a payable to AMP for $2,072 and $1,610 at December 31, 2018 and 2017, 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, 2018 and 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 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, 2018, 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 17, 2019.

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 17, 2019

MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Year Ended December 31, 2018

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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CLARK SCHAEFER HACKETT
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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 statement of net position as of December 31, 2018, 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.

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, 2018, 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.

Change in Accounting Principle

During the year ended December 31, 2018, MESA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, MESA restated net position at January 1, 2018 for the change in accounting principle (See Note 9). Our opinion is not modified with respect to this matter.

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 and OPEB liability and pension and OPEB 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 17, 2019 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 17, 2019

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, 2018 and 2017. 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:

	2018	Restated 2017
Assets		
Cash and short term investments	$ 1,785,834	$ 1,065,695
Receivables from AMP members	533,143	926,261
Receivables from related parties	376,283	1,047,007
Costs/recoveries in excess of member project billings	1,245,343	765,918
Prepaid expenses	3,427	3,427
Total Current Assets	$ 3,944,030	$ 3,808,308
Deferred Outflows of Resources		
OPEB & Pension	$ 2,877,342	6,418,679
Total assets and deferred outflows	$ 6,821,372	$ 10,226,987
Liabilities		
Current liabilities	$ 2,194,744	$ 2,154,798
Noncurrent liabilities		
OPEB	7,253,458	7,666,578
Net pension liability	9,558,911	15,659,775
Other long-term amounts	1,749,286	1,653,510
Total liabilities	$ 20,756,399	$ 27,134,661
Deferred Inflows of Resources		
OPEB	1,172,689	
Pension	3,194,771	973,574
Net Position:		
Unrestricted	$ (18,302,487)	$ (17,881,248)
Total net position, liabilities and deferred inflows	$ 6,821,372	$ 10,226,987

2018 vs. 2017

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

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

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

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

2. Minus plan assets available to pay these benefits

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

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

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

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

As a result of implementing GASB 75, MESA is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $(10,327,636) to $(17,881,248)

Total assets as of December 31, 2018 and December 31, 2017 were $3,944,030 and $3,808,308, respectively, an increase of $135,722. This was due to increases in cash of $720,139 and in costs and recoveries in excess of billings from projects constructed by members of $479,425 partially offset by a decrease in receivables of $1,063,842.

Deferred outflows of resources were $2,877,342 in 2018 as compared to $6,418,679 in 2017, a decrease of $3,541,337 that was primarily due to a decrease of $3,962,149 relating to Pensions partially offset by an increase of $420,812 relating to OPEB.

Total liabilities were $20,756,399 and $27,134,661 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $6,378,262. This decrease was due mainly to a decrease in net pension liability of $6,100,864 and OPEB liability of $413,120 partially offset by increases in payables and accrued expenses of $135,722.

Deferred inflows of resources were $4,367,460 and $973,574 as of December 31, 2018 and December 31, 2017, respectively. The change in 2018 to 2017 balance represents the change between expected and actual experience for the OPEB and Pension plans.

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

	2018	2017
Operating revenues	$ 14,532,801	$ 16,183,610
Operating expenses	14,959,533	17,654,969
Operating Loss	(426,732)	(1,471,359)
Nonoperating revenue		
Investment income	5,493	3,409
Change in Net Position	$ (421,239)	$ (1,467,950)

Operating revenues in 2018 were $14,532,801 versus $16,183,610 in 2017, a decrease of $1,650,809. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members decreased by $868,368 due to decreased activity experienced during the year. Revenue from providing personnel services to related parties decreased by $782,441, due mainly to a decrease in MESA headcount from prior year.

Operating expenses in 2018 were $14,959,533 versus $17,654,969 in 2017, a decrease of $2,495,436. This decrease was primarily due to the decrease in MESA headcount from fiscal year 2017 and decreases 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 2018 was $5,493 versus $3,409 in 2017, an increase of $2,084.

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

STATEMENT OF NET POSITION
December 31, 2018

	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and short term investments	$ 1,785,834
Receivables from AMP members	533,143
Receivables from related parties	376,283
Costs and recoveries in excess of billings from projects constructed on behalf of members	1,245,343
Prepaid expenses	3,427
Total Current Assets	3,944,030
DEFERRED OUTFLOW OF RESOURCES	
OPEB	533,778
Pension	2,343,564
Total Deferred Outflow of Resources	2,877,342
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 6,821,372
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 78,581
Accrued Salaries and related benefits	1,121,955
Accrued Vacation	994,208
Total Current Liabilities	2,194,744
NONCURRENT LIABILITIES	
Accrued Sick Leave	$ 1,749,286
Net OPEB Liability	7,253,458
Net Pension Liability	9,558,911
Total Noncurrent Liabilities	18,561,655
Total Liabilities	20,756,399
DEFERRED INFLOW OF RESOURCES	
OPEB	1,172,689
Pension	3,194,771
Total Deferred Inflow of Resources	4,367,460
NET POSITION	
Unrestricted	(18,302,487)
Total Net Position	(18,302,487)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 6,821,372

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2018

	2018
OPERATING REVENUES	
Services	$ 14,067,191
Project revenue	465,610
	14,532,801
OPERATING EXPENSES	
Salaries and related benefits	12,864,187
Professional fees	91,541
Direct project expenses	1,910,501
Insurance	41,465
Other operating expenses	51,839
Total Operating Expenses	14,959,533
Operating Loss	(426,732)
NONOPERATING REVENUES	
Investment income	5,493
Total Non-Operating Revenues	5,493
Change in net position	(421,239)
NET POSITION, Beginning of Year (Restated)	(17,881,248)
NET POSITION, END OF YEAR	$ (18,302,487)

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from AMP members for services	$ 858,728
Cash received from related parties for services	14,258,491
Cash payments to employees for services	(12,728,465)
Cash payments to suppliers and related parties for good and services	(1,674,108)
Net Cash Provided by Operating Activities	714,646
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	5,493
Net Cash Provided by Investing Activities	5,493
Net Change in Cash and Cash Equivalents	720,139
CASH AND CASH EQUIVALENTS, Beginning of Year	1,065,695
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,785,834

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

		2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$	(426,732)
Changes in assets and liabilities		
Receivables from AMP		393,118
Receivables from related parties		670,724
Cost and estimated earnings in excess of billings from projects constructed onbehalf of members		(479,425)
Deferred inflows and outflows, net		6,935,223
Accounts payable and accrued expenses		(545)
Accrued salaries and related benefits		149,937
Accrued vacation leave		(13,670)
Net pension and OPEB liability		(6,513,984)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	714,646

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, 2018, 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. There have been no notices of termination received as of December 31, 2018.

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.

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

8. Repurchase agreements with public depositories, with certain conditions

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 / Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OBEP liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the pension and OPEB plans and addition to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans 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 reported for pension and OPEB plans are explained further in Note 5.

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

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 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 and OPEB, 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 non-operating 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:

	2018	Risks
Checking / Money Market Funds	$ 1,785,834	Custodial credit
Total Cash and Cash Equivalents	$ 1,785,834	

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, 2018.

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, 2018 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 2018 and 2017 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claim Payments	Balance at End of Year
2018	$ 254,701	$ 1,217,642	$ 1,261,607	$ 210,736
2017	$ 246,294	$ 944,630	$ 936,223	$ 254,701

NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the year ended December 31, 2018 is as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,653,510	$ 296,196	$ 200,420	$ 1,749,286	$ -
Net OPEB liability	7,666,578	-	413,120	7,253,458	-
Net pension liability	15,659,775	-	6,100,864	9,558,911	-
	$ 24,979,863	$ 296,196	$ 6,714,404	$ 18,561,655	$ -

NOTE 5 – PENSION 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.

NOTE 5 – PENSION BENEFITS (CONT.)

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 – Ohio Public Employees Retirement System (OPERS)

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). 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

NOTE 5 – PENSION BENEFITS (CONT.)

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%.

FUNDING POLICY

The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $1,174,751 for 2018.

NOTE 5 – PENSION BENEFITS (CONT.)

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, 2017 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	$ 9,558,911
Proportion of Net Pension Liability	0.061443%
Change in Proportion	-0.007518%
Pension Expense	$ 1,257,233

At December 31, 2018, MESA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows/ (Inflows) of Resources
Differences between expected and actual experience	9,844	(213,889)	(204,045)
Net difference between projected and actual earnings on pension plan investments		(2,082,088)	(2,082,088)
Change in assumptions	1,158,969		1,158,969
Change in Entity's proportionate share and difference in employer contributions		(898,794)	(898,794)
Contributions subsequent to the measurement date	1,174,751		1,174,751
	2,343,564	(3,194,771)	(851,207)

NOTE 5 – PENSION BENEFITS (CONT.)

$1,174,751 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2019	$ 283,447
2020	(483,565)
2021	(925,285)
2022	(864,078)
2023	(9,275)
Thereafter	(27,202)
	$ (2,025,958)

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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; 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
Mortality tables	RP-2014

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 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.

NOTE 5 – POSTEMPLOYMENT BENEFITS (CONT.)

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 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%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	18.00%	5.26%
Total	100.00%	5.66%

NOTE 5 – PENSION BENEFITS (CONT.)

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%, 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	$17,073,183	$ 9,558,911	$ 3,299,473

NOTE 6 – DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability

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

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

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

NOTE 6 – DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description—Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy—The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by

NOTE 6– DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS (cont.)

OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to postemployment health care.

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

The total OPEB liability for OPERS was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The MESA's proportion of the net OPEB liability was based on the MESA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS
Proportionate Share of Net OPEB Liability	$7,253,458
Proportion of Net OPEB Liability	0.0667951%
Change in Proportion	-0.0091090%
OPEB Expense	$ 338,757

NOTE 6 – DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS (cont.)

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

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 5,649
Change in assumptions	528,129
Total Deferred Outflows	$ 533,778
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ (540,336)
Change in Entity's proportionate share and difference in employer contributions	(632,353)
Total Deferred Inflows	$ (1,172,689)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPERS
2019	$ (182,213)
2020	(182,213)
2021	(139,401)
2022	(135,084)
2023	-
Thereafter	-
	$ (638,911)

Actuarial Assumptions—OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

NOTE 6– DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS (cont.)

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement date	3.85%
Prior measurement date	4.25%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

NOTE 6 – DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS (cont.)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	17.00%	5.39%
Total	100.00%	4.98%

Discount Rate. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the MESA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the MESA's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the MESA's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.85%) or 1.0% point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate of 3.85%	1% Increase (4.85%)
MESA's proportionate share of the net OPEB liability	$ 9,636,766	$ 7,253,458	$ 5,235,704

NOTE 6 – DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS (cont.)

Sensitivity of the MESA's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant

impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
MESA's proportionate share of the net OPEB liability	$ 6,940,181	$ 7,253,458	$ 7,577,422

NOTE 7 – 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 8 – 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:

NOTE 8 – RELATED PARTY TRANSACTIONS (CONT.)

	2018
AMP	$12,250,749
Ohio Municipal Electric Generation Agency Joint Venture 1	196
Ohio Municipal Electric Generation Agency Joint Venture 2	622,001
Ohio Municipal Electric Generation Agency Joint Venture 4	8,473
Ohio Municipal Electric Generation Agency Joint Venture 5	1,042,454
Ohio Municipal Electric Generation Agency Joint Venture 6	25,450
Ohio Municipal Electric Association	117,868
AMP Members	465,610
Totals	$14,532,801

At December 31, 2018, MESA had a receivable from affiliates of $376,283 and a receivable from AMP members of $533,143.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For 2018, MESA implemented GASB Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. These changes were incorporated in the MESA's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net Position, December 31, 2017	$	(10,327,636)
Adjustments:		
Net OPEB Liability		(7,666,578)
Deferred Outflow – Payments Subsequent to Measurement Date		112,966
Restated Net Position, December 31, 2017	$	(17,881,248)

Other than employer contributions subsequent to the measurement date, MESA made no restatement for deferred outflows or inflows of resources, as the information needed to generate these restatements was not available.

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 Five Years (1) (2)

	MESA's Proportion of the Net Pension Liability	MESA's Proportionate Share of the Net Pension Liability	MESA's Covered Payroll	MESA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.082551%	$ 9,730,641	$ 9,365,862	103.89%	86.36%
2015	0.082551%	9,925,281	10,529,417	94.26%	86.45%
2016	0.074879%	12,969,890	8,015,192	161.82%	81.08%
2017	0.068961%	15,659,775	9,623,717	162.72%	77.25%
2018	0.061443%	9,558,911	9,488,431	100.74%	84.66%

(1) Information prior to 2014 is not available. The 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 Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Six Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MESA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 1,217,562	$ (1,217,562)	$ -	$ 9,365,862	13.00%
2014	1,263,530	(1,263,530)	-	10,529,417	12.00%
2015	961,823	(961,823)	-	8,015,192	12.00%
2016	1,154,846	(1,154,846)	-	9,623,717	12.00%
2017	1,233,496	(1,233,496)	-	9,488,431	13.00%
2018	1,174,751	(1,174,751)	-	8,391,079	14.00%

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

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

	MESA's Proportion of the Net OPEB Liability	MESA's Proportionate Share of the Net OPEB Liability	MESA's Covered Payroll	MESA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.075904%	$ 7,666,578	$ 9,623,717	79.66%	54.05%
2018	0.066795%	7,253,458	9,488,431	76.45%	54.14%

(1) Information prior to 2017 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 the MESA's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.25% to 3.85%.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA OPEB Contributions
Ohio Public Employees Retirement System
Last Six Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MESA Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 93,659	$ (93,659)	$ -	$ 9,365,862	1.00%
2014	210,588	(210,588)	-	10,529,417	2.00%
2015	160,304	(160,304)	-	8,015,192	2.00%
2016	192,474	(192,474)	-	9,623,717	2.00%
2017	112,966	(112,966)	-	9,488,431	1.00%
2018	-	-	-	8,391,079	0.00%

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

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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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, 2018 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 17, 2019, wherein we noted MESA implemented GASB Statement No. 75.

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 17, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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 30, 2019

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