OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Participants
OMEGA JV 2, 4, 5, 6 and MESA
1111 Schrock Rd. Ste 100
Columbus, OH 43229

We have reviewed the *Independent Auditor's Report* of the OMEGA JV 2, 4, 5, 6 and MESA, Franklin County, prepared by Rea & Associates, Inc., for the audit period January 1, 2021 through December 31, 2021. 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 2, 4, 5, 6 and MESA is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 17, 2022

This page intentionally left blank.

Ohio Municipal Electric Generation Agency Joint Venture 2
Franklin County, Ohio
Table of Contents
December 31, 2021 and 2020

Page

This page intentionally left blank.

Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

Ohio Municipal Electric Generation Agency Joint Venture 2
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 2, Franklin County, Ohio (OMEGA JV2), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise OMEGA JV2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 2, Franklin County, Ohio, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OMEGA JV2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of OMEGA JV2 for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April, 21, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV2's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV2's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

Financial Statement Overview

This discussion and analysis provide an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") for the years ended December 31, 2021 and 2020 with selected comparative information for the year ended December 31, 2019. 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, deferred outflow of resources, 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

	2021	2020	2019
Assets			
Electric plant and equpment, net of accumulated depreciation	$ 5,511,312	$ 5,665,925	$ 8,667,414
Regulatory assets	3,178,921	3,056,481	2,955,298
Current assets	2,937,800	2,771,081	1,789,902
Deferred outflow from resources	33,336	254,022	263,172
Total Assets and Deferred Outflow of Resources	$ 11,661,369	$ 11,747,509	$ 13,675,786
Net Position, Liabilities, and Deferred Inflow of Resources			
Net Position - net investment in capital assets	$ 5,511,312	$ 5,665,925	$ 8,667,414
Net Position - unrestricted	(6,036,294)	(5,697,803)	(5,465,848)
Current liabilities	2,016,079	2,535,225	2,483,177
Noncurrent liabilities	2,100,614	1,855,244	1,826,433
Deferred inflow of resources	8,069,658	7,388,918	6,164,610
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 11,661,369	$ 11,747,509	$ 13,675,786

2021 vs. 2020

Total assets and deferred outflow of resources were $11,661,369 and $11,747,509 on December 31, 2021 and December 31, 2020, respectively, a decrease of $86,140. The decrease in total assets was due to decreases in net capital assets of $154,613 and Deferred outflow of resources of $220,686 partially offset by increases in cash and other current assets of $166,719 and in regulatory assets of $122,440.

Electric plant and equipment, net of accumulated depreciation was $5,511,312 and $5,665,925 at year-end 2021 and 2020, respectively, a decrease of $154,613. This decrease was primarily the result of yearly depreciation of $458,868 partially offset by capital additions of $326,179.

The cost associated with the Asset Retirement Obligation("ARO") included in the cost of electric plant was $825,402 and $1,043,168 at year-end 2021 and 2020, respectively. Estimated values of ARO assets and obligations are prepared by an independent engineering consultant.

Regulatory assets were $3,178,921 and $3,056,481 at December 31, 2021 and 2020, respectively, an increase of $122,440. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. 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 $2,937,800 and $2,771,081 as of December 31, 2021 and 2020, respectively, an increase of $166,719. This increase was primarily due to increases in receivables of $627,419 in inventory of $101,459, partially offset by decreases in cash and investments of $558,625.

Total liabilities, deferred inflow of resources and net position were $11,661,369 and $11,747,509 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $86,140. This decrease was the result of a decrease in net position of $493,104 and liabilities of $273,776 partially offset by increases in rates intended to recover future costs of $680,740.

Total net position was $(524,982) and $(31,878) as of December 31, 2021 and December 31, 2020, respectively, a decrease of $493,104. Net investment in capital assets was $5,511,312 and $5,665,925 at December 31, 2021 and December 31, 2020, respectively, a decrease of $154,613. The Unrestricted net position was ($6,036,294) and ($5,697,803) at December 31, 2021 and December 31, 2020, respectively, a decrease of $338,491.

Deferred inflows of resources were $8,069,658 and $7,388,918 at December 31, 2021 and December 31, 2020, respectively, an increase of $680,740. 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 $2,100,614 and $1,855,244 at December 31, 2021 and December 31, 2020, respectively, an increase of $245,370 as the result of the yearly ARO accretion expense and changes to the estimated ARO as discussed above.

Current liabilities were $2,016,079 and $2,535,225 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $519,146. This decrease was primarily the result of a payments of the short-term note payable agreed upon in 2020 of $1,026,938 as well as decreased payable to related parties of $93,819 partially offset by increased accounts payable obligations to third party vendors of $601,611.

2020 vs. 2019

Total assets and deferred outflow of resources were $11,747,509 and $13,675,786 on December 31, 2020 and December 31, 2019, respectively, a decrease of $1,928,277. The decrease in total assets was due to decreases in net capital assets of $3,001,489 and increases in cash and other current assets of $981,179 and in regulatory assets of $101,183.

Electric plant and equipment, net of accumulated depreciation was $5,665,925 and $8,667,414 at year-end 2020 and 2019, respectively, a decrease of $3,001,489. This decrease was primarily the result of yearly depreciation of $3,254,514 partially offset by capital additions of $253,025.

The cost associated with the Asset Retirement Obligation("ARO") included in the cost of electric plant was $1,043,168 and $1,043,168 at year-end 2020 and 2019, respectively. Estimated values of ARO assets and obligations are prepared by an independent engineering consultant.

Regulatory assets were $3,056,481 and $2,955,298 at December 31, 2020 and 2019, respectively, an increase of $101,183. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. The increase reflects no changes in ARO estimates. 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 $2,771,081 and $1,789,902 as of December 31, 2020 and 2019, respectively, an increase of $981,179. This increase was primarily due to increases in operating cash of $1,097,427 and prepaid expenses of $9,109. These increases are partially offset by a decrease in receivables from participants of $73,791.

Total liabilities, deferred inflow of resources and net position were $11,747,509 and $13,675,786 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $1,928,277. This decrease was the result of a reduction in net position of $3,233,444 partially offset by increases in rates intended to recover future costs of 1,224,308 and total liabilities of $80,859.

Total net position was $(31,878) and $3,201,566 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $3,233,444. Net investment in capital assets was $5,665,925 and $8,667,414 at December 31, 2020 and December 31, 2019, respectively, a decrease of $3,001,489. The Unrestricted net position was ($5,697,803) and (5,465,848) at December 31, 2020 and December 31, 2019, respectively, a decrease of $231,955.

Deferred inflows of resources were $7,388,918 and $6,164,610 at December 31, 2020 and December 31, 2019, respectively, an increase of $1,224,308. 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 $1,855,244 and $1,826,433 at December 31, 2020 and December 31, 2019, respectively, an increase of $28,811 as the result of the yearly ARO accretion expense and changes to the estimated ARO as discussed above.

Current liabilities were $2,535,225 and $2,483,177 as of December 31, 2020 and December 31, 2019, respectively, an increase of $52,048. This increase was primarily the result of a short-term note payable agreed upon in 2020 of $1,963,379 offset by decreased payable to related parties of $1,550,786 and decreased accounts payable obligations to third party vendors of $360,545.

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

	2021	2020	2019
Operating Revenues	$ 10,846,749	$ 8,149,388	$ 9,923,134
Operating Expenses	11,417,854	11,386,445	13,411,808
Operating Loss	$ (571,105)	$ (3,237,057)	$ (3,488,674)
Non-operating revenues/expenses			
Investment Income	$ 212	$ 2,222	$ 12,132
Other non-operating revenue/expenses	(15,123)	(57,658)	-
Future recoverable costs	92,912	59,049	43,031
Non-operating revenues/expenses	$ 78,001	$ 3,613	$ 55,163
Change in Net Position	$ (493,104)	$ (3,233,444)	$ (3,433,511)

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 2021 were $10,846,749 versus $8,149,388 in 2020, an increase of $2,697,361 mainly due to increased fixed demands and increased capacity rates. 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 2020 were $8,149,388 versus $9,923,134 in 2019, a decrease of $1,773,746, mainly due to decreased fixed demands.

OMEGA JV2 operating expenses in 2021 were $11,417,854 versus $11,386,445 in 2020, an increase of $31,409. This increase in expense was due to increase capacity expense of $1,896,170, an increase in accretion of asset retirement obligation of $89,188, an increase in fuel of $354,354, an increase maintenance costs of $248,664 and an increase in professional services of $136,739. These increases were offset by a decrease in depreciation of $2,795,646.

OMEGA JV2 operating expenses in 2020 were $11,386,445 versus $13,411,808 in 2019, a decrease of $2,025,363. This decrease in expense was due to reduced maintenance costs in 2020 of $495,368. In addition, capacity expenses decreased year over year 2020 vs 2019 by $1,457,276.

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, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 1,198,854	$ 1,757,479
Receivables from participants	1,045,540	696,270
Receivables from related parties	278,149	-
Inventory	237,432	135,973
Prepaid expenses	177,825	181,359
Total Current Assets	2,937,800	2,771,081
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric generators	65,034,318	64,903,798
Construction work in progress	475,941	302,206
Accumulated depreciation	(59,998,947)	(59,540,079)
Net Electric Plant and Equipment	5,511,312	5,665,925
Other Assets		
Regulatory assets	3,178,921	3,056,481
Total Non-Current Assets	8,690,233	8,722,406
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow from asset retirement obligation	33,336	254,022
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 11,661,369	$ 11,747,509
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,079,638	$ 478,027
Payable to related parties	-	93,819
Notes payable	936,441	1,963,379
Total Current Liabilities	2,016,079	2,535,225
NONCURRENT LIABILITIES		
Asset retirement obligation	2,100,614	1,855,244
Total Noncurrent Liabilities	2,100,614	1,855,244
Total Liabilities	4,116,693	4,390,469
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	8,069,658	7,388,918
NET POSITION		
Net investment in capital assets	5,511,312	5,665,925
Unrestricted	(6,036,294)	(5,697,803)
Total Net Position	(524,982)	(31,878)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 11,661,369	$ 11,747,509

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Electric revenue	$ 10,846,749	$ 8,149,388
OPERATING EXPENSES		
Related party services	1,008,437	988,194
Capacity	6,207,428	4,311,258
Depreciation	458,868	3,254,514
Accretion of asset retirement obligation	127,148	37,960
Fuel	992,494	638,140
Maintenance	1,255,588	1,006,924
Utilities	115,934	120,254
Insurance	358,502	328,523
Professional services	541,557	404,818
Other operating expenses	351,898	295,860
Total Operating Expenses	11,417,854	11,386,445
Operating Loss	(571,105)	(3,237,057)
NON-OPERATING REVENUES / EXPENSES		
Investment income	212	2,222
Interest expense	(13,654)	-
Other non-operating expenses	(1,469)	(57,658)
Future recoverable costs	92,912	59,049
Total Non-Operating Revenues / Expenses	78,001	3,613
Change in net position	(493,104)	(3,233,444)
NET POSITION, Beginning of Year	(31,878)	3,201,566
NET POSITION, END OF YEAR	$ (524,982)	$ (31,878)

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 10,900,070	$ 9,447,487
Cash paid to related parties for personnel services	(1,102,256)	(2,833,423)
Cash payments to suppliers and related parties for goods and services	(9,011,804)	(7,171,555)
Net Cash Provided by(Used in) Operating Activities	786,010	(557,491)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Notes Payable	-	1,963,379
Payments on Notes Payable	(1,026,938)	-
Interest paid	(13,654)	(57,658)
Net Cash Provided by(Used in) Non-Capital Financing Activities	(1,040,592)	1,905,721
CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES		
Acquisition of capital assets	(304,255)	(253,025)
Net Cash Provided by(Used in) Capital and Related Investing Activities	(304,255)	(253,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	212	2,222
Net Cash Provided by Investing Activities	212	2,222
Net Change in Cash and Cash Equivalents	(558,625)	1,097,427
CASH AND CASH EQUIVALENTS, Beginning of Year	1,757,479	660,052
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,198,854	$ 1,757,479

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (571,105)	$ (3,237,057)
Depreciation	458,868	3,254,514
Accretion of asset retirement obligation	127,148	37,960
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(349,270)	73,791
Receivables from related parties	(278,149)	-
Inventory	(101,459)	51,566
Prepaid expenses	3,534	(9,109)
Deferred outflow from asset retirement obligation	466,056	-
Accounts payable and accrued expenses	658,818	(360,545)
Payable to related parties	(93,819)	(1,550,786)
Regulatory assets	(215,352)	(42,133)
Deferred inflow of resources	680,740	1,224,308
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	$ 786,010	$ (557,491)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

ASSETS, LIABILITIES, DEFERRED OUTFLOW/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 OUTFLOW/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 OUTFLOW/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 and Deferred Outflow of Resources

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.

When an asset retirement obligation is initially recorded, a deferred outflow of resources is also recorded at the same value as the liability. The deferred outflow of resources is reduced and an expense is recognized in a systematic and rational manner over the tangible capital asset's estimated useful life.

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	2021	2020
Future expenses related to Asset Retirements	$ 2,054,130	$ 1,622,311
Future expenses related to Other	1,017,259	1,357,186
Future expenses related to Debt Service	107,532	76,984
	$ 3,178,921	$ 3,056,481

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:

	2021	2020
Future expenses related to overhaul maintenance and fixed O&M	$ 8,069,658	$ 7,388,918

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, DEFERRED INFLOW OF RESOURCES 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 as earned when 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:

	2021	2020	Risks
Checking	$1,198,854	$1,757,479	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. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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:

	2021			
	Beginning Balance	Additions / Transfers	Retirements / Transfers	Ending Balance
Electric generators	$ 64,903,798	$ 152,444	$ (21,924)	$ 65,034,318
Construction Work-in-Progress	302,206	326,179	(152,444)	475,941
Less: Accumulated Depreciation	(59,540,079)	(458,868)		(59,998,947)
Electric Plant and Equipment, Net	$ 5,665,925	$ 19,755	$ (174,368)	$ 5,511,312

	2020			
	Beginning Balance	Additions / Transfers	Retirements / Transfers	Ending Balance
Electric generators	$ 63,658,616	$ 1,245,182	$ -	$ 64,903,798
Construction Work-in-Progress	1,294,363	253,025	(1,245,182)	302,206
Less: Accumulated Depreciation	(56,285,565)	(3,254,514)		(59,540,079)
Electric Plant and Equipment, Net	$ 8,667,414	$ (1,756,307)	$ (1,245,182)	$ 5,665,925

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:

2021	Beginning Balance	Revisions To Estimates	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,855,244	$ 118,222	$ 127,148	$ 2,100,614

2020	Beginning Balance	Revisions To Estimates	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,826,433	$ -	$ 28,811	$ 1,855,244

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. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

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 "investment in capital assets."

The following calculation supports the investment in capital assets:

Description	2021	2020
Electric Plant, Equipment Assets	$ 65,034,318	$ 64,903,798
Construction work in progress	475,941	302,206
Accumulated Depreciation	(59,998,947)	(59,540,079)
Net Investment in Capital Assets	$ 5,511,312	$ 5,665,925

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 an Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. In addition, 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 services from MESA are now billed directly to AMP with AMP passing the costs to OMEGA JV2 with no markup. The combined cost of these services for the years ended December 31, 2021 and 2020 was $1,008,437 and $1,120,758, respectively. OMEGA JV2's payables to AMP as of December 31, 2021 and 2020 were $0 and $61,716 respectively with an additional payable to MESA of $32,103 at December 31, 2020.

- As OMEGA JV2's agent, AMP also collects payments on behalf of OMEGA JV2 before transferring those funds to OMEGA JV2. As of December 31, 2021 and 2020, OMEGA JV2 had receivables from AMP of $278,149 and $0, respectively.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $115,934 and $120,254 for these services for the years ended December 31, 2021 and 2020, respectively.

INDEPENDENT AUDITOR'S 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*

Ohio Municipal Electric Generation Agency Joint Venture 2
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

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, Franklin County, Ohio (OMEGA JV2), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise OMEGA JV2's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Rea & associates

www.reacpa.com

Ohio Municipal Electric Generation Agency Joint Venture 4
Franklin County, Ohio
Table of Contents
December 31, 2021 and 2020

Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

Ohio Municipal Electric Generation Agency Joint Venture 4
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 4, Franklin County, Ohio, (OMEGA JV4), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise OMEGA JV4's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 4, Franklin County, Ohio, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OMEGA JV4, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of OMEGA JV4 for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April, 21, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV4's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV4's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV4's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020

(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, 2021 and 2020 with selected comparative information for the year ended December 31, 2019. 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 Statements of Net Position

	2021	2020	2019
Assets			
Electric plant and equpment, net of accumulated depreciation	$ 394,898	$ 493,173	$ 591,448
Board designated funds	500,000	500,000	500,000
Current assets	535,287	454,990	407,506
Total Assets	$ 1,430,185	$ 1,448,163	$ 1,498,954
Net Position, Liabilities, and Deferred Inflow of Resources			
Net Position - net investment in capital assets	$ 394,898	$ 493,173	$ 591,448
Net Position - unrestricted	1,013,592	929,405	880,446
Current liabilities	21,695	25,585	27,060
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 1,430,185	$ 1,448,163	$ 1,498,954

2021 vs. 2020

Total assets were $1,430,185 and $1,448,163 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $17,978. The decrease in 2021 total assets is due to the yearly depreciation of $98,275 and a reduction of receivables from related parties to $0 in 2021 from a 2020 balance of $6,908, partially offset by an increase in operating cash of $87,205. The Board designated funds are a maintenance reserve contribution specifically earmarked for the decommissioning of power lines.

Utility plant, net of accumulated depreciation was $394,898 and $493,173 at year-end 2021 and 2020, respectively, a decrease of $98,275. The decrease was the result of the annual depreciation.

Current assets were $535,287 and $454,990 at December 31, 2021 and December 31, 2020, respectively, an increase of $80,297. Cash and temporary investments increased by $87,205 and receivables decreased by $6,908.

Total net position and liabilities were $1,430,185 and $1,448,163 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $17,978.

Total net position was $1,408,490 and $1,422,578 at December 31, 2021 and December 31, 2020, respectively, a decrease of $14,088. Investment in capital assets was $394,898 and $493,173 at December 31, 2021 and December 31, 2020, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was $1,013,592 and $929,405 at December 31, 2021 and December 31, 2020, respectively, an increase of $84,187.

Current liabilities were $21,695 and $25,585 at December 31, 2021 and December 31, 2020, respectively, a decrease of $3,890. This resulted from a decrease in accounts payable of $5,580 offset by an increase in payables to related parties of $1,690.

2020 vs. 2019

Total assets were $1,448,163 and $1,498,954 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $50,791. The decrease in 2020 total assets is due to the yearly depreciation of $98,275 offset by increases in operating cash of $40,576 and receivables from related parties of $6,908. The Board designated funds are a maintenance reserve contribution specifically earmarked for the decommissioning of power lines.

Utility plant, net of accumulated depreciation was $493,173 and $591,448 at year-end 2020 and 2019, respectively, a decrease of $98,275. The decrease was the result of the annual depreciation.

Current assets were $454,990 and $407,506 at December 31, 2020 and December 31, 2019, respectively, an increase of $47,484. Cash and temporary investments increased by $40,576 and receivables increased by $6,908.

Total net position and liabilities were $1,448,163 and $1,498,954 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $50,791

Total net position was $1,422,578 and $1,471,894 at December 31, 2020 and December 31, 2019, respectively, a decrease of $49,316. Investment in capital assets was $493,173 and $591,448 at December 31, 2020 and December 31, 2019, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was $929,405 and $880,446 at December 31, 2020 and December 31, 2019, respectively, an increase of $48,959.

Current liabilities were $25,585 and $27,060 at December 31, 2020 and December 31, 2019, respectively, a decrease of $1,475. This resulted from a decrease in payables to related parties of $5 and a decrease in accruals of $1,470.

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

	2021	2020	2019
Operating Revenues	$ 270,000	$ 270,000	$ 270,000
Operating Expenses	149,190	186,962	146,121
Operating Loss	120,810	83,038	123,879
Non-operating revenues/expenses			
Investment Income	102	2,646	10,979
Income before distributions	120,912	85,684	134,858
Distributions to participants	$ 135,000	$ 135,000	$ 135,000
Change in Net Position	$ (14,088)	$ (49,316)	$ (142)

Total operating revenues in 2021 and 2020 were $270,000. Annual transmission member revenue billings remained constant at $270,000.

Operating expenses in 2021 were $149,190 versus $186,962 in 2020, a decrease of $37,772. This reduction was primarily due to decreased maintenance expenses.

Investment income in 2021 was $102 versus $2,646 in 2020, a decrease of $2,544 due to a decline in interest rates. Investment income for OMEGA JV4 is interest earned on checking account balances and short-term investments.

Total operating revenues in 2020 and 2019 were $270,000. Annual transmission member revenue billings remained constant at $270,000.

Operating expenses in 2020 were $186,962 versus $146,121 in 2019, an increase of $40,841. This was primarily a result of increased maintenance expenses.

Investment income in 2020 was $2,646 versus $10,979 in 2019, a decrease of $8,333 due to an decline in interest rates. 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, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 512,787	$ 425,582
Receivables from unrelated parties	22,500	22,500
Receivables from related parties	-	6,908
Total Current Assets	535,287	454,990
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,645,438	2,645,438
Accumulated depreciation	(2,250,540)	(2,152,265)
Net Utility Plant	394,898	493,173
Other Assets		
Board designated funds	500,000	500,000
Total Non-Current Assets	894,898	993,173
TOTAL ASSETS	$ 1,430,185	$ 1,448,163
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 19,950	$ 25,530
Payable to related parties	1,745	55
Total Current Liabilities	21,695	25,585
NET POSITION		
Investment in capital assets	394,898	493,173
Unrestricted	1,013,592	929,405
Total Net Position	1,408,490	1,422,578
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 1,430,185	$ 1,448,163

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Transmission revenue	$ 270,000	$ 270,000
OPERATING EXPENSES		
Related party services	31,140	3,628
Depreciation	98,275	98,275
Maintenance	(266)	60,694
Professional services	20,041	24,365
Total Operating Expenses	149,190	186,962
Operating Income	120,810	83,038
NONOPERATING REVENUES/EXPENSES		
Investment income	102	2,646
Total Non-Operating Revenues/Expenses	102	2,646
Income before distributions	120,912	85,684
DISTRIBUTIONS TO PARTICIPANTS		
City of Bryan	(56,700)	(56,700)
Village of Pioneer	(40,500)	(40,500)
Village of Montpelier	(33,750)	(33,750)
Village of Edgerton	(4,050)	(4,050)
Total Distributions	(135,000)	(135,000)
Change in net position	(14,088)	(49,316)
NET POSITION, Beginning of Year	1,422,578	1,471,894
NET POSITION, END OF YEAR	$ 1,408,490	$ 1,422,578

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 276,908	$ 270,000
Cash paid to related parties for personnel services	(29,450)	(3,633)
Cash payments to suppliers and related parties for goods and services	(25,355)	(93,437)
Net Cash Provided by(Used in) Operating Activities	222,103	172,930
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Distributions to participants	(135,000)	(135,000)
Net Cash Used in Non-Capital Financing Activities	(135,000)	(135,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	102	2,646
Net Cash Provided by Investing Activities	102	2,646
Net Change in Cash and Cash Equivalents	87,205	40,576
CASH AND CASH EQUIVALENTS, Beginning of Year	925,582	885,006
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,012,787	$ 925,582

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 120,810	$ 83,038
Depreciation	98,275	98,275
Changes in assets, liabilities and deferred inflow of resources		
Receivables	6,908	(6,908)
Accrued expenses	(5,580)	(1,470)
Payable to related parties	1,690	(5)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	$ 222,103	$ 172,930

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4" or "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. 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.

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.

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, 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, 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.

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	
	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:

	2021	2020	Risks
Checking	$1,012,787	$ 925,582	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. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio’s pooled collateral system administered by the Ohio Treasurer’s Office. OMEGA JV4’s investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2021, and 2020, 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, 2021, and 2020, 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, 2021, and 2020, 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:

	2021			
	Beginning Balance	Additions	Retirements	Ending Balance
Transmission lines	$ 2,645,438	$ -	$ -	$ 2,645,438
Less: Accumulated Depreciation	(2,152,265)	(98,275)	-	(2,250,540)
Utility Plant, Net	$ 493,173	$ (98,275)	$ -	$ 394,898

	2020			
	Beginning Balance	Additions	Retirements	Ending Balance
Transmission lines	$ 2,645,438	$ -	$ -	$ 2,645,438
Less: Accumulated Depreciation	(2,053,990)	(98,275)	-	(2,152,265)
Utility Plant, Net	$ 591,448	$ (98,275)	$ -	$ 493,173

NOTE 4 – NET POSITION

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

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 "investment in capital assets."

The following calculation supports the investment in capital assets:

Description	2021	2020
Plant in service	$ 2,645,438	$ 2,645,438
Accumulated Depreciation	(2,250,540)	(2,152,265)
Total Investment in Capital Assets	$ 394,898	$ 493,173

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 2021 and 2020 was 100% derived from a non-participant. 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, 2021, 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 lines if replacement customers 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:

- 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 $31,140 and $3,628 for the years ended December 31, 2021 and 2020, respectively. OMEGA JV4 had a payable to MESA of $0 and $21 at December 31, 2021 and 2020, respectively. OMEGA JV4 had a payable to AMP of $1,745 and $34 at December 31, 2021 and 2020, respectively.

Rea & associates a brighter way

INDEPENDENT AUDITOR'S 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*

Ohio Municipal Electric Generation Agency Joint Venture 4
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

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, Franklin County, Ohio (OMEGA JV4), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise OMEGA JV4's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Rea & associates

www.reacpa.com

Ohio Municipal Electric Generation Agency Joint Venture 5
Franklin County, Ohio
Table of Contents
December 31, 2021 and 2020

Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

Ohio Municipal Electric Generation Agency Joint Venture 5
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 5, Franklin County, Ohio, (OMEGA JV5), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise OMEGA JV5's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 5, Franklin County, Ohio, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OMEGA JV5, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of OMEGA JV5 for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April, 21, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV5's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV5's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV5's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV5's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV5's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020
(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, 2021 and 2020 with selected comparative information for the year ended December 31, 2019. 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 inflow 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:

Condensed Statements of Net Position

	2021	2020	2019
Assets			
Current assets	$ 7,136,262	$ 13,800,312	$ 15,249,688
Restricted assets - noncurrent	4,400,903	4,380,959	4,090,628
Electric plant and land	78,818,011	82,509,853	86,179,419
Other assets	125,592	2,333,186	193,443
Total Assets	$ 90,480,768	$ 103,024,310	$ 105,713,178
Net Position, Liabilities, and Deferred Inflow of Resources			
Net investment in capital assets	$ 36,457,270	$ 28,882,742	$ 27,231,739
Net Position - restricted	4,400,903	4,380,959	$ 4,090,628
Net Position - unrestricted	(37,870,286)	(30,275,814)	$ (28,334,480)
Net beneficial interest certificates	42,360,741	53,627,111	$ 58,947,680
Current liabilities	3,414,126	1,462,636	$ 1,419,924
Other noncurrent liabilities	317,673	397,572	$ 488,188
Deferred inflow of resources	41,400,341	44,549,104	41,869,499
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 90,480,768	$ 103,024,310	$ 105,713,178

2021 vs. 2020

Total assets were $90,480,768 and $103,024,310 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $12,543,542. The decrease is due to decreases in net electric plant and equipment of $3,691,842, current assets of $6,664,050, and other non-current assets of $2,187,650.

Total current assets were $7,136,262 and $13,800,312 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $6,664,050. This decrease is due to decreases of $5,920,339 in cash and temporary investments, $902,187 in receivables from related parties, and regulatory assets of $15,486. These decreases were partially offset by increases in receivables from participants of $133,349 and in prepaid expenses of $40,626.

Utility plant assets were $78,818,011 and $82,509,853 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $3,691,842. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,450,674 partially offset by an increase in electric plant in service of $758,886.

Noncurrent restricted assets were $4,400,903 and $4,380,959 as of December 31, 2021 and December 31, 2020, respectively, an increase of $19,944. These assets 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 $125,592 and $2,333,186 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $2,207,594. The decrease is due to a decrease in regulatory assets of $2,193,767 and prepaid bond insurance of $13,827.

Total net position, liabilities, and deferred inflow of resources were $90,480,768 and $103,024,310 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $12,543,542.

Net position was $2,987,887 at December 31, 2021 and December 31, 2020.

Net beneficial interest certificates were $42,360,741 and $53,627,111 at December 31, 2021 and December 31, 2020, respectively, a decrease of $11,266,370. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization.

Current liabilities excluding the current portion of 2016 Certificates were $3,414,126 and $1,462,636 at December 31, 2021 and December 31, 2020, respectively, an increase of $1,951,490. This increase was mainly due to an increase of $2,131,216 in notes payable. This increase was partially offset by decreases of $54,034 in payables related to parties, accounts payable and accrued expenses of $71,038 and in accrued interest of $8,922.

Other noncurrent liabilities were $317,673 and $397,572 at December 31, 2021 and December 31, 2020, respectively, a decrease of $79,899. This was the result of a decrease in accrued license fees. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2021 and 2020. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $41,400,341 and $44,549,104 as of December 31, 2021 and December 31, 2020, respectively a decrease of $3,148,763. This was the result of an excess of expenses incurred over revenue received and the revenue received for OMEGA JV5 refinancing interest and trust covenant.

2020 vs. 2019

Total assets were $103,024,310 and $105,713,178 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $2,688,868. The decrease is due to a decrease in net electric plant and equipment of $3,669,566 and current assets of $1,449,376. These decreases were partially offset by increases in restricted assets-noncurrent and other assets of $2,430,074.

Total current assets were $13,800,312 and $15,249,688 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $1,449,376. This decrease is due to decreases of $1,821,496 in cash and temporary investments, $130,277 in receivables from participants, and other assets of $37,885. These decreases were partially offset by increases in receivables from related parties of $524,796 and in regulatory assets of $15,486.

Utility plant assets were $82,509,853 and $86,179,419 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $3,669,566. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,535,013 partially offset by the purchase of construction work-in-progress of $865,447.

Noncurrent restricted assets were $4,380,959 and $4,090,628 as of December 31, 2020 and December 31, 2019, respectively, an increase of $290,331. These assets 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 $2,333,186 and $193,443 as of December 31, 2020 and December 31, 2019, respectively, an increase of $2,139,743. The increase due to an increase in regulatory assets partially offset by a decrease in prepaid bond insurance of $13,826.

Total net position, liabilities, and deferred inflow of resources were $103,024,310 and $105,713,178 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $2,668,868.

Net position was $2,987,887 at December 31, 2020 and December 31, 2019.

Net beneficial interest certificates were $53,627,111 and $58,947,680 at December 31, 2020 and December 31, 2019, respectively, a decrease of $5,320,569. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization.

Current liabilities excluding the current portion of 2016 Certificates were $1,462,636 and $1,419,924 at December 31, 2020 and December 31, 2019, respectively, an increase of $42,712. This increase was mainly due to an increase of $77,817 in accounts payable and accrued expenses, partially offset by decreases in payables to related parties for engineering, finance, administration and other services of $12,038 and $23,067 in accrued interest.

Noncurrent liabilities were $397,572 and $488,188 at December 31, 2020 and December 31, 2019, respectively, a decrease of $90,616. This was the result of a decrease in accrued license fees. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2020 and 2019. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $44,549,104 and $41,869,499 as of December 31, 2020 and December 31, 2019, respectively an increase of $2,679,605. This was the result of an excess of revenues received over expenses incurred and the revenue received for OMEGA JV5 refinancing interest and trust covenant

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

	2021	2020	2019
Operating Revenues	$ 19,322,567	$ 21,366,557	$ 22,787,618
Operating Expenses	16,906,409	19,336,101	18,938,232
Operating Loss	2,416,158	2,030,456	3,849,386
Non-operating revenues/expenses			
Investment Income	140,656	332,111	455,522
Interest Expense	(2,542,987)	(2,348,740)	(2,436,775)
Loss on Disposition of property	-	-	(1,854,306)
Amortization	(13,827)	(13,827)	(13,827)
Total net Non-operating expenses	(2,416,158)	(2,030,456)	(3,849,386)
Change in Net Position	$ -	$ -	$ -

Operating results

Operating revenues were $19,322,567 in 2021, a decrease of $2,043,990 from 2020 operating revenues of $21,366,557. 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 $21,366,557 in 2020, a decrease of $1,421,061 from 2019 operating revenue of $22,787,618. 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 $16,906,409 in 2021, a decrease of $2,429,692 from 2020 operating expenses of $19,336,101. This decrease was the result of lower purchased power expense of $2,624,432, lower related party services of $1,381,436, and lower maintenance of $216,502 partially offset by higher costs in capacity expense of $2,030,224 and professional services of $22,139.

Operating expenses were $19,336,101 in 2020, an increase of $397,869 from 2019 operating expenses of $18,938,232. This increase was the result of higher purchased power expense of $1,676,605, partially offset by lower costs in capacity expense of $611,985, Maintenance of $548,567, and other expenses of $118,184.

Non-Operating Revenues / (expense) totaled ($2,416,158) in 2021 and ($2,030,456) in 2020, an increase of $385,702. This increase was due to a decrease in investment income of $191,455 and an increase in interest expense of $194,247.

Non-Operating expense totaled $2,030,456 in 2020 and $3,849,386 in 2019, a decrease of $1,818,930. This decrease resulted primarily from the sale of assets that netted a loss of $1,854,306 in 2019.

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, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 5,026,855	$ 10,947,194
Receivables from participants	1,914,283	1,780,934
Receivables from related parties	25,731	927,918
Regulatory assets	-	15,486
Accrued Interest Receivable	63,759	63,772
Prepaid expenses	105,634	65,008
Total Current Assets	7,136,262	13,800,312
NONCURRENT ASSETS		
Restricted Assets		
Restricted Assets - funds held by trustee	4,400,903	4,380,959
Electric Plant and Land		
Electric plant in service	179,293,299	178,534,413
Construction work in progress	865,393	865,447
Land	431,881	431,881
Accumulated depreciation	(101,772,562)	(97,321,888)
Net Electric Plant and Equipment	78,818,011	82,509,853
Other Assets		
Prepaid bond insurance / Unamortized COI, net	125,592	139,419
Regulatory assets	-	2,193,767
Total Non-Current Assets	83,344,506	89,223,998
TOTAL ASSETS	$ 90,480,768	$ 103,024,310
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,282,864	$ 1,353,902
Payable to related parties	-	99,766
2016 beneficial interest certificates - current	-	6,150,000
Notes Payable - affiliated companies	2,131,216	-
Accrued interest	46	8,968
Total Current Liabilities	3,414,126	7,612,636
NONCURRENT LIABILITIES		
Accrued license fees	-	79,899
2016 beneficial interest certificates	-	7,365,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(13,764,259)	(16,012,889)
Asset retirement obligation	317,673	317,673
Total Noncurrent Liabilities	42,678,414	47,874,683
Total Liabilities	46,092,540	55,487,319
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	41,400,341	44,549,104
NET POSITION		
Net investment in capital assets	36,457,270	28,882,742
Restricted	4,400,903	4,380,959
Unrestricted	(37,870,286)	(30,275,814)
Total Net Position	2,987,887	2,987,887
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 90,480,768	$ 103,024,310

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Electric revenue	$ 19,322,567	$ 21,366,557
OPERATING EXPENSES		
Purchased power	4,890,587	7,515,019
Capacity	3,349,726	1,319,502
Related party services	673,967	2,055,403
Depreciation	4,450,674	4,535,013
Maintenance	1,175,078	1,391,580
Utilities	124,237	139,059
Insurance	259,471	203,753
Professional services	65,846	87,985
Payment in lieu of taxes	839,950	840,000
Other operating expenses	1,076,873	1,248,787
Total Operating Expenses	16,906,409	19,336,101
Net Operating Income	2,416,158	2,030,456
NONOPERATING REVENUES/EXPENSES		
Investment income	140,656	332,111
Interest expense	(2,542,987)	(2,348,740)
Amortization of insurance	(13,827)	(13,827)
Total Non-Operating Revenues/Expenses	(2,416,158)	(2,030,456)
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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 16,040,455	$ 22,007,384
Cash paid to related parties for personnel services	(773,733)	(2,067,441)
Cash payments to suppliers and related parties for goods and services	(8,861,891)	(13,246,899)
Net Cash Provided by Operating Activities	6,404,831	6,693,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Affiliated Party Note Payable	9,300,000	-
Principal payments on debt issuance	(20,683,784)	(7,450,000)
Interest payments on debt issuance	(303,279)	(242,376)
Acquisition of capital assets	(758,832)	(865,447)
Net Cash Provided by(Used in) Non-Capital Financing Activities	(12,445,895)	(8,557,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(19,944)	(290,331)
Investment income received	140,669	333,614
Net Cash Provided by Investing Activities	120,725	43,283
Net Change in Cash and Cash Equivalents	(5,920,339)	(1,821,496)
CASH AND CASH EQUIVALENTS, Beginning of Year	10,947,194	12,768,690
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,026,855	$ 10,947,194

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 2,416,158	$ 2,030,456
Depreciation	4,450,674	4,535,013
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(133,349)	130,277
Receivables from related parties	902,187	(524,796)
Prepaid expenses	(40,626)	36,381
Accounts payable and accrued expenses	(71,038)	77,817
Payable to related parties	(99,766)	(12,038)
Regulatory assets	2,209,253	(2,169,055)
Deferred inflow of resources	(3,148,763)	2,679,605
Accrued license fees	(79,899)	(90,616)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	$ 6,404,831	$ 6,693,044

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 temporary investments 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 collectability, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

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 2021 or 2020.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying value as of December 31, 2021	2020	Risks
Checking/Money Market Funds	$ 8,329,075	$ 14,326,237	Custodial credit
Government Money Market Mutual Fund	1,098,683	1,001,916	Credit, interest rate
Total Cash and temporary investments	$ 9,427,758	$ 15,328,153	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2021 and 2020.

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. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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
2021	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 1,098,683
2020	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 1,001,916

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, 2021 and 2020, 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:

	2021	2020
Restricted Assets		
Certificate payment fund	$ 1,105,229	$ 1,008,461
Reserve and contingency fund	3,291,132	3,371,185
Bond redemption fund	1,313	1,313
Total restricted assets	$ 4,397,674	$ 4,380,959

NOTE 4 – UTILITY PLANT

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

	2021 Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Electric Plant and Equipment	$178,534,413	$ -	$ 758,886	$ -	$179,293,299
Construction work in progress	865,447	758,832	(758,886)	-	865,393
Land	431,881	-	-	-	431,881
Total Utility Plant in Service	179,831,741	758,832	-	-	180,590,573
Less: Accumulated depreciation	(97,321,888)	(4,450,674)		-	(101,772,562)
Utility Plant, Net	$ 82,509,853	$(3,691,842)	$ -	$ -	$ 78,818,011

	2020 Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Electric Plant and Equipment	$178,534,413	$ -	$ -	$ -	$178,534,413
Construction work in progress	-	865,447	-	-	865,447
Land	431,881	-	-	-	431,881
Total Utility Plant in Service	178,966,294	865,447	-	-	179,831,741
Less: Accumulated depreciation	(92,786,875)	(4,535,013)	-	-	(97,321,888)
Utility Plant, Net	$ 86,179,419	$(3,669,566)	$ -	$ -	$ 82,509,853

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

2021 Note Payable to AMP

On January 20, 2021, in order to expedite the retirement of the 2016 Beneficial Interest Certificates, OMEGA JV5s participants approved the borrowing of $9,300,000 in the form of a note payable from AMP. At December 31, 2021, the balance of the note was $2,131,216. This note was paid in full in the first quarter of 2022.

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. These 2016 Beneficial Interest Certificates were paid in full during 2021.

2001 Beneficial Interest Certificates

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

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

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2021 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%
Subtotal	$ 56,125,000	
Unamortized discount	(13,764,259)	
Total	$ 42,360,741	

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

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

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

Based upon unaudited financial information for the years ended December 31, 2021 and 2020, there were no participants unable to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

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

The fair value of the 2001 Certificates at December 31 was estimated by using quoted market prices and is as follows:

	2021		2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$42,360,741	$52,765,291	$40,112,111	$52,572,010

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

2021	Beginning Balance	Additions	Reductions	Ending Balance
2016 Certificates	$ 13,515,000	$ -	$(13,515,000)	$ -
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(16,012,889)	-	2,248,630	(13,764,259)
	$ 53,627,111	$ -	$(11,266,370)	$ 42,360,741
Asset Retirement Obligation	317,673	-	-	317,673
Accrued License fees	79,899	-	(79,899)	-
Total	$ 54,024,683	$ -	$(11,346,269)	$ 42,678,414

2020	Beginning Balance	Additions	Reductions	Ending Balance
2016 Certificates	$ 20,965,000	$ -	$ (7,450,000)	$ 13,515,000
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(18,142,320)	-	2,129,431	(16,012,889)
	$ 58,947,680	$ -	$ (5,320,569)	$ 53,627,111
Asset Retirement Obligation	317,673	-	-	317,673
Accrued License fees	170,515	-	(90,616)	79,899
Total	$ 59,435,868	$ -	$ (5,411,185)	$ 54,024,683

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

Deferred inflow of resources at December 31 is as follows:

	2021	2020
Debt service billed to Participants for Certificates in excess of related expenses	$ 27,762,911	$ 31,585,847
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	8,875,994	9,855,393
Renewable Energy Credits	4,761,436	3,107,864
Total Deferred Inflow of Resources	$ 41,400,341	$ 44,549,104

NOTE 8 – NET POSITION

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

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

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

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

NOTE 8 – NET POSITION (cont.)

Net capital assets at December 31 is as follows:

	2021	2020
Plant assets	$ 179,293,299	$ 178,534,413
Construction work in progress	865,393	865,447
Land	431,881	431,881
Accumulated depreciation	(101,772,562)	(97,321,888)
Subtotal	$ 78,818,011	$ 82,509,853
Related debt:		
2016 beneficial interest certificates	-	13,515,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount - 2001 beneficial interest certificates	(13,764,259)	(16,012,889)
Subtotal	$ 42,360,741	$ 53,627,111
Total Net Investment in Capital Assets	$ 36,457,270	$ 28,882,742

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. 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 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 for OMEGA JV5. The cost of these services for the years ended December 31, 2021 and 2020 was $139,725 and $133,192, respectively. OMEGA JV5's payables to AMP as of December 31, 2021 and 2020 were $0 and $99,328, respectively.

  As Agent, AMP also collects payments on behalf of OMEGA JV5 before transferring those funds to OMEGA JV5. As of December 31, 2021 and 2020, OMEGA JV5 had receivables from AMP of $25,731 and $842,304, 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, 2021 and 2020 amounted to $1,817,776 and $4,214,970, 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 $528,981 and $1,916,951 for the years ended December 31, 2021 and 2020, respectively. OMEGA JV5 had a receivable from MESA of $0 and $85,614 at December 31, 2021 and December 31, 2020, respectively.

- During the year, Ohio Municipal Electric Association ("OMEA") provided certain legislative services for OMEGA JV5. OMEA is the legislative liaison for AMP and 80 Ohio community-owned-and-operated municipal electric systems. The expense related to these services was $5,260 and $5,260 for the years ended December 31, 2021 and 2020, respectively. OMEGA JV5 had payables to OMEA of $0 at December 31, 2021 and 2020.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $124,237 and $139,059 for these services for the years ended December 31, 2021 and 2020, respectively.

- During 2021, OMEGA JV5 entered into a note payable with AMP for $9,300,000. See note 7 for more information.

NOTE 12 – SUBSEQUENT EVENT

In March 2022, OMEGA JV5 made the final payment of $821,216 to AMP in its 2021 promissory note of $9,300,000.

INDEPENDENT AUDITOR'S 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*

Ohio Municipal Electric Generation Agency Joint Venture 5
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

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, Franklin County, Ohio (OMEGA JV5), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise OMEGA JV5's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Rea & associates

www.reacpa.com

Ohio Municipal Electric Generation Agency Joint Venture 6
Franklin County, Ohio
Table of Contents
December 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

Ohio Municipal Electric Generation Agency Joint Venture 6
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 6, Franklin County, Ohio, (OMEGA JV6), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise OMEGA JV6's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 6, Franklin County, Ohio, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OMEGA JV6, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of OMEGA JV6 for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April, 21, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV6's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV6's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OMEGA JV6's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV6’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV6’s internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

Financial Statement Overview

This discussion and analysis provide an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") for the years ended December 31, 2021 and 2020 with selected comparative information for the year ended December 31, 2019. 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, deferred outflow of resources, liabilities and deferred inflow of resources of OMEGA JV6 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

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

Condensed Statements of Net Position

	2021	2020	2019
Assets			
Electric plant and equpment, net of accumulated depreciation	$ 3,721,037	$ 4,020,746	$ 4,320,455
Regulatory assets	957,327	876,303	760,647
Current assets and Board designated funds	1,196,944	2,199,436	1,280,317
Deferred outflow of resources	137,967	170,749	181,436
Total Assets	$ 6,013,275	$ 7,267,234	$ 6,542,855
Net Position, Liabilities, and Deferred Inflow of Resources			
Net Position - investment in capital assets	$ 3,721,037	$ 4,020,746	$ 4,320,455
Net Position - unrestricted	238,463	238,463	238,463
Current liabilities	94,303	1,191,550	40,104
Asset retirement obligations	1,095,293	1,029,669	942,082
Deferred inflow of resources	864,179	786,806	1,001,751
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 6,013,275	$ 7,267,234	$ 6,542,855

2021 vs. 2020

Total assets and deferred outflow of resources were $6,013,275 and $7,267,234 as of December 31, 2021 and December 31, 2020, respectively, an decrease of $1,253,959. This decrease results primarily due to decreases in cash and temporary investments of $1,041,858, prepaid expenses of $29,134, offset by accumulated depreciation of $299,708, and an increase in board designated funds of $65,624 and regulatory assets $81,024.

Current assets and board designated funds were $1,196,944 and $2,199,436 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $1,002,492. This decrease was due to decreases in cash and temporary investments of $1,041,858 because of payments of related party payables, prepaid expenses of $29,134. These decreases were partially offset by increases in board designated funds of $65,624 and receivables from participants of $2,876.

Non-current assets and deferred outflows, excluding board designated funds were $4,816,331 and $5,067,798 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $251,467. This decrease was due to annual depreciation for the electric plant of $299,709, and a decrease in deferred outflow from asset retirement obligations of $32,782. This decrease was offset partially offset by an increase in regulatory assets of $81,024. Regulatory Assets represent 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 $6,013,275 and $7,267,234 as of December 31, 2021 and December 31, 2020, respectively, a decrease of $1,253,959.

Total net position was $3,959,500 and $4,259,209 at December 31, 2021 and December 31, 2020, respectively, a decrease of $299,709. Net investment in capital assets was $3,721,037 and $4,020,746 at December 31, 2021 and December 31, 2020, respectively, a decrease of $299,709. Unrestricted net position was $238,463 at both December 31, 2021 and December 31, 2020.

Current liabilities were $94,303 and $1,191,550 at December 31, 2021 and December 31, 2020, respectively, a decrease of $1,097,247. This resulted from a decrease in payables to related parties of $1,154,282 and an increase in accounts payable and accrued expenses of $57,035.

Non-current liabilities were $1,095,293 and $1,029,669 as of December 31, 2021 and December 31, 2020 respectively, an increase of $65,624. This increase was due to the current year accretion expense.

Deferred inflow of resources increased to $864,179 at December 31, 2021 from $786,806 at December 31, 2020, an increase of $77,373. This is a result of revenue collected during the year being more than expenses incurred.

2020 vs. 2019

Total assets and deferred outflow of resources were $7,267,234 and $6,542,855 as of December 31, 2020 and December 31, 2019, respectively, an increase of $724,379. This increase results primarily due to an increase in cash and temporary investments and board designated funds of $919,119 offset by annual depreciation of $299,709.

Current assets and board designated funds were $2,199,436 and $1,280,317 as of December 31, 2020 and December 31, 2019, respectively, an increase of $919,119. This increase was due to increases in cash and temporary investments of $900,387, board designated funds of $87,587, receivables from participants of $6,368, and prepaid expenses of $183. These increases were partially offset by a decrease in receivables from related parties of $75,406.

Non-current assets and deferred outflows, excluding board designated funds were $5,067,798 and $5,262,538 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $194,740. This decrease was due to annual depreciation for the electric plant of $299,709, an increase in regulatory assets of $115,656, and a decrease in the deferred outflow from asset retirement obligation of $10,687. Regulatory Assets represent 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 $7,263,234 and $6,542,855 as of December 31, 2020 and December 31, 2019, respectively, an increase of $724,379.

Total net position was $4,259,209 and $4,558,918 at December 31, 2020 and December 31, 2019, respectively, a decrease of $299,709. Net investment in capital assets was $4,020,746 and $4,320,455 at December 31, 2020 and December 31, 2019, respectively, a decrease of $299,709. Unrestricted net position was $238,463 at both December 31, 2020 and December 31, 2019.

Current liabilities were $1,191,550 and $40,104 at December 31, 2020 and December 31, 2019, respectively, an increase of $1,151,446. This resulted from an increase in payables to related parties of $1,155,552 and a decrease in accounts payable and accrued expenses of $4,106.

Non-current liabilities were $1,029,669 and $942,082 as of December 31, 2020 and December 31, 2019 respectively, an increase of $87,587. This increase was due to the current year accretion expense.

Deferred inflow of resources decreased to $786,806 at December 31, 2020 from $1,001,751 at December 31, 2019, a decrease of $214,945. This is a result of revenue collected during the year being less than expenses incurred.

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

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

	2021	2020	2019
Operating Revenues	$ 420,798	$ 336,796	$ 311,401
Operating Expenses	741,257	755,853	684,875
Operating Loss	$ (320,459)	$ (419,057)	$ (373,474)
Non-operating revenues/expenses			
Investment Income	$ 151	$ 3,692	$ 16,186
Future recoverable costs	20,599	115,656	57,579
Non-operating revenues/expenses	$ 20,750	$ 119,348	$ 73,765
Change in Net Position	$ (299,709)	$ (299,709)	$ (299,709)

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 2021 was $420,798 versus $336,796 in 2020, an increase of $84,002. The increase in electric revenue is due to increases in electric fixed revenue of $511,407 partially offset by decreases in renewable energy credits $127,004 and fixed cost of $300,316. 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 2020 was $336,797 versus $311,401 in 2019, an increase of $25,396. The increase in electric revenue is due to increases in Capacity sales by $65,986 and an increase in fixed costs of $40,590. 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 2021 were $741,257 versus $755,853 in 2020, which is a decrease of $14,596. The decrease in operating expenses in 2021 is due to the decrease in accretion of the asset retirement obligation of $49,606, capacity decrease of $3,665, and a decrease in other operating expense of $7,479, offset by increases in professional services expenses of $18,964, and related party expenses of $23,889.

Operating expenses in 2020 were $755,853 versus $684,875 in 2019, which is an increase of $70,978. The increase in operating expenses in 2020 is due to the increase in accretion of the asset retirement obligation of $41,653, fund allocation costs of $25,495, maintenance expenses of $9,825, and insurance and other costs of $2,571, offset by decreases in professional services expenses of $7,829 and related party expenses of $737.

Investment income in 2021 was $151 versus $3,692 in 2020, a decrease of $3,541. Investment income in 2020 was $3,692 versus $16,186 in 2019, a decrease of $12,494. 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, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 52,328	$ 1,094,186
Receivables from participants	31,484	28,608
Prepaid expenses	17,839	46,973
Total Current Assets	101,651	1,169,767
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric plant	8,991,262	8,991,262
Accumulated depreciation	(5,270,225)	(4,970,516)
Net Electric Plant and Equipment	3,721,037	4,020,746
Board designated funds	1,095,293	1,029,669
Regulatory assets	957,327	876,303
Total Non-Current Assets	5,773,657	5,926,718
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow from asset retirement obligation	137,967	170,749
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 6,013,275	$ 7,267,234
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 90,777	$ 33,742
Payable to related parties	3,526	1,157,808
Total Current Liabilities	94,303	1,191,550
NONCURRENT LIABILITIES		
Asset retirement obligation	1,095,293	1,029,669
Total Noncurrent Liabilities	1,095,293	1,029,669
Total Liabilities	1,189,596	2,221,219
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	864,179	786,806
NET POSITION		
Investment in capital assets	3,721,037	4,020,746
Unrestricted	238,463	238,463
Total Net Position	3,959,500	4,259,209
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 6,013,275	$ 7,267,234

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Electric revenue	$ 420,798	$ 336,796
OPERATING EXPENSES		
Related party services	66,676	42,787
Capacity	50,163	53,828
Depreciation	299,709	299,709
Accretion of asset retirement obligation	37,981	87,587
Maintenance	173,028	171,718
Insurance	28,633	26,642
Professional services	43,471	24,507
Other operating expenses	41,596	49,075
Total Operating Expenses	741,257	755,853
Operating Loss	(320,459)	(419,057)
NONOPERATING REVENUES/EXPENSES		
Investment income	151	3,692
Future recoverable costs	20,599	115,656
Total Non-Operating Revenues/Expenses	20,750	119,348
Change in net position	(299,709)	(299,709)
NET POSITION, Beginning of Year	4,259,209	4,558,918
NET POSITION, END OF YEAR	$ 3,959,500	$ 4,259,209

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 495,295	$ 190,889
Cash (paid to) received from related parties for personnel services	(1,245,833)	1,112,765
Cash payments to suppliers and related parties for goods and services	(225,847)	(319,372)
Net Cash (used in) / provided by Operating Activities	(976,385)	984,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	151	3,692
Net Cash Provided by Investing Activities	151	3,692
Net Change in Cash and Cash Equivalents	(976,234)	987,974
CASH AND CASH EQUIVALENTS, Beginning of Year	2,123,855	1,135,881
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,147,621	$ 2,123,855

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (320,459)	$ (419,057)
Depreciation	299,709	299,709
Accretion of asset retirement obligation	37,981	87,587
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(2,876)	(6,368)
Receivables from related parties	-	75,406
Prepaid expenses	29,134	(183)
Deferred outflow from asset retirement obligation	-	10,687
Accounts payable and accrued expenses	57,035	(4,106)
Payable to related parties	(1,154,282)	1,155,552
Deferred inflow of resources	77,373	(214,945)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	$ (976,385)	$ 984,282

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 OUTFLOW/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 OUTFLOW/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 OUTFLOW/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 and Deferred Outflow of Resources

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.

When an asset retirement obligation is initially recorded, a deferred outflow of resources is also recorded at the same value as the liability. The deferred outflow of resources is reduced and an expense is recognized in a systematic and rational manner over the tangible capital asset's estimated useful life.

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:

	2021	2020
Future expenses related to asset retirement obligations	$ 957,327	$ 876,303

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

ASSETS, LIABILITIES, DEFERRED OUTFLOW/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:

	2021	2020
Future expenses related to Fixed O&M costs	$ 864,179	$ 786,806

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.

	2021	2020	Risks
Checking	$1,147,621	$2,123,855	Custodial credit

Custodial Credit Risk

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. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2021 and 2020, 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:

	2021		
	Beginning Balance	Additions	Ending Balance
Electric plant	$ 8,991,262	$ -	$ 8,991,262
Less: Accumulated depreciation	(4,970,516)	(299,709)	(5,270,225)
Electric Plant, Net	$ 4,020,746	$ (299,709)	$ 3,721,037

	2020		
	Beginning Balance	Additions	Ending Balance
Electric plant	$ 8,991,262	$ -	$ 8,991,262
Less: Accumulated depreciation	(4,670,807)	(299,709)	(4,970,516)
Electric Plant, Net	$ 4,320,455	$ (299,709)	$ 4,020,746

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:

	2021			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 1,029,669	$ 37,981	$ 27,643	$ 1,095,293

	2020			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 942,082	$ 87,587	$ -	$ 1,029,669

NOTE 4 – ASSET RETIREMENT OBLIGATIONS(cont.)

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 – investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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 "Investment in capital assets."

The following calculation supports the investment in capital assets:

	2021	2020	2019
Electric plant	$8,991,262	$8,991,262	$ 8,991,262
Less: Accumulated depreciation	(5,270,225)	(4,970,516)	(4,670,807)
Total Investment in Capital Assets	$3,721,037	$4,020,746	$ 4,320,455

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 57% of electric service revenue in 2021 and 33% of electric service revenue in 2020.

NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to an 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 $2,631 and $2,635 for the years ended December 31, 2021 and 2020, respectively, and had a payable of $3,526 and $1,152,241 to AMP at December 31, 2021 and 2020, 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 $64,045 and $40,152 for the years ended December 31, 2021 and 2020, respectively. OMEGA JV6 had a payable to MESA of $0 and $3,096 at December 31, 2021 and 2020, 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 for each of the years ended December 31, 2021 and 2020.

INDEPENDENT AUDITOR'S 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*

Ohio Municipal Electric Generation Agency Joint Venture 6
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

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, Franklin, County (OMEGA JV6), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise OMEGA JV6's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV6's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

MUNICIPAL ENERGY SERVICES AGANCY

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Rea & associates

www.reacpa.com

Municipal Energy Services Agency
Franklin County, Ohio
Table of Contents
December 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

Municipal Energy Services Agency
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Municipal Energy Services Agency, Franklin County, Ohio, (MESA), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise MESA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Energy Services Agency, Franklin County, Ohio, as of December 31, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of MESA for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on April, 21, 2021.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MESA's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MESA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MESA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MESA's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

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, 2021 and 2020 with selected comparative information for the year ended December 31, 2019. 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("GAAP"). 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, deferred outflow of resources, liabilities and deferred inflow of resources 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.

This space intentionally left blank

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020
(Unaudited)

Financial Highlights

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

Condensed Statements of Net Position

	2021	2020	2019
Assets and Deferred Outflow of Resources			
Cash and short term investments	$ 318,059	$ 680,961	$ 700,153
Receivables from AMP members	163,243	743,865	734,314
Receivables from related parties	4,364,403	1,129,439	795,894
Costs/recoveries in excess of member project billings	-	2,041,189	1,754,433
Prepaid expenses	3,427	3,427	3,427
Total Current Assets	$ 4,849,132	$ 4,598,881	$ 3,988,221
Non-current assets			
OPEB	979,584	-	-
Deferred Outflow of Resources			
OPEB & Pension	1,657,285	2,897,197	4,959,599
Total Assets and Deferred Outflow of Resources	$ 7,486,001	$ 7,496,078	$ 8,947,820
Liabilities			
Current liabilities	$ 2,651,809	$ 2,696,091	$ 2,329,581
Noncurrent liabilities			
OPEB	-	7,450,972	7,508,010
Net pension liability	7,600,707	9,989,883	14,755,183
Other long-term amounts	2,197,323	1,902,790	1,658,640
Total Liabilities	12,449,839	22,039,736	26,251,414
Deferred inflow of resources			
OPEB	3,124,047	1,718,121	1,020,966
Pension	3,437,567	2,880,015	1,233,000
	6,561,614	4,598,136	2,253,966
Net Position			
Unrestricted	(11,525,452)	(19,141,794)	(19,557,560)
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 7,486,001	$ 7,496,078	$ 8,947,820

2021 vs. 2020

The net pension liability (NPL) is the single largest liability reported by MESA at December 31, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." MESA follows 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/asset. 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/asset 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/asset, respectively, not accounted for as deferred inflows/outflows.

Total current assets as of December 31, 2021 and December 31, 2020 were $4,849,132 and $4,598,881, respectively, an increase of $250,251. This was due to increases in receivables of $2,654,342, partially offset by a decrease in costs and recoveries in excess of billings from projects constructed by members of $2,041,189, and a decrease in cash and short-term investments of $362,902.

Non-current assets represent an overfunding of OPEB benefits of $979,584. This asset was in a liability position at December 31, 2020.

Deferred outflows of resources were $1,657,285 in 2021 as compared to $2,897,197 in 2020, a reduction of $1,239,912 from 2020.

Total liabilities were $12,449,839 and $22,309,736 as of December 31, 2021 and December 31, 2020, respectively, an decrease of $9,589,897. This decrease was due to the OPEB liability of $7,450,972 becoming an asset position, a reduction of the Pension liability of $2,389,176, a reduction of accounts payable of $168,397, and a reduction in accrued vacation of $340,861. These decreases were partially offset by an increase in accrued sick leave of $294,533, and accounts payable and accrued expenses of $168,397.

Deferred inflows of resources were $6,561,614 and $4,598,136 as of December 31, 2021 and December 31, 2020, respectively, an increase of $1,963,478 from the prior year. The increase is attributable to differences between projected and actual experience for the pension plan and a change in assumptions for the OPEB plan.

2020 vs. 2019

Total current assets as of December 31, 2020 and December 31, 2019 were $4,598,881 and $3,988,221, respectively, an increase of $610,660. This was due to increases in receivables of $343,096 and in costs and recoveries in excess of billings from projects constructed by members of $286,756 partially offset by a decrease in cash and short term investments of $19,192.

Deferred outflows of resources were $2,897,197 in 2020 as compared to $4,959,599 in 2019, a decrease of $2,062,402 that was due to a decrease of $2,653,204 relating to Pensions and an offsetting increase of $590,802 relating to OPEB.

Total liabilities were $22,039,736 and $26,251,414 as of December 31, 2020 and December 31, 2019, respectively, a decrease of $4,211,678. This decrease was due to a decrease in Net Pension Liability of $4,765,300, Net OPEB Liability of $57,038 and Accrued Salaries and related benefits of $14,097, partially offset by an increase in accrued sick leave of $244,150, Accrued vacation of $212,475, and Accounts Payable and Accrued expenses of $168,132.

Deferred inflows of resources were $4,598,136 and $2,253,966 as of December 31, 2020 and December 31, 2019, respectively. The change in 2020 balance from 2019 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 Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Operating Revenues	$ 14,662,343	$ 15,766,539	$ 15,074,993
Operating Expenses	7,046,027	15,351,550	16,335,721
Operating Loss	7,616,316	414,989	(1,260,728)
Non-operating revenue			
Investment Income	26	777	5,655
Change in Net Position	$ 7,616,342	$ 415,766	$ (1,255,073)

2021 vs. 2020

Operating revenues in 2021 were $14,662,343 versus $15,766,539 in 2020, a decrease of $1,104,196. 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 $2,579,595 due to decreased activity experienced during the year. Revenue from providing personnel services to related parties increased by $1,475,399, due to MESA employees devoting more time to these projects.

Operating expenses in 2021 were $7,046,027 versus $15,351,550 in 2020, a decrease of $8,305,523. This decrease was primarily due to reduced pension and OPEB benefits partially offset by increased direct project expenses of $1,926,042.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2021 was $26 versus $777 in 2020, a decrease of $751.

2020 vs. 2019

Operating revenues in 2020 were $15,766,539 versus $15,074,993 in 2019, an increase of $691,546. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members increased by $2,093,808 due to increased activity experienced during the year. Revenue from providing personnel services to related parties decreased by $1,402,262, due mainly to a decrease in MESA headcount from prior year.

Operating expenses in 2020 were $15,351,550 versus $16,335,721 in 2019, a decrease of $984,171. This decrease was primarily due to reduced project expenses and in salaries and related benefits.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2020 was $777 versus $5,655 in 2019, a decrease of $4,878.

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

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and short term investments	$ 318,059	$ 680,961
Receivables from AMP members	163,243	743,865
Receivables from related parties	4,364,403	1,129,439
Costs and recoveries in excess of billings from projects constructed on behalf of members	-	2,041,189
Prepaid expenses	3,427	3,427
Total Current Assets	4,849,132	4,598,881
NONCURRENT ASSETS		
Net OPEB Asset	979,584	-
Total Non-current Assets	979,584	-
DEFERRED OUTFLOW OF RESOURCES		
OPEB	569,338	1,179,610
Pension	1,087,947	1,717,587
Total Deferred Outflow	1,657,285	2,897,197
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 7,486,001	$ 7,496,078
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 121,961	$ 290,358
Accrued Salaries and related benefits	1,596,795	1,131,819
Accrued Vacation	933,053	1,273,914
Total Current Liabilities	2,651,809	2,696,091
NONCURRENT LIABILITIES		
Accrued Sick Leave	$ 2,197,323	$ 1,902,790
Net OPEB Liability	-	7,450,972
Net Pension Liability	7,600,707	9,989,883
Total Noncurrent Liabilities	9,798,030	19,343,645
Total Liabilities	12,449,839	22,039,736
DEFERRED INFLOW OF RESOURCES		
OPEB	3,124,047	1,718,121
Pension	3,437,567	2,880,015
Total Deferred Inflow	6,561,614	4,598,136
NET POSITION		
Unrestricted	(11,525,452)	(19,141,794)
Total Net Position	(11,525,452)	(19,141,794)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 7,486,001	$ 7,496,078

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Services	$ 13,888,462	$ 12,413,063
Project revenue	773,881	3,353,476
Total Operating Revenues	14,662,343	15,766,539
OPERATING EXPENSES		
Salaries and related benefits	$ 3,394,312	$ 12,866,740
Professional fees	82,418	859,507
Direct project expenses	3,508,780	1,582,738
Insurance	41,125	42,055
Other operating expenses	19,392	510
Total Operating Expenses	7,046,027	15,351,550
Operating Income (Loss)	7,616,316	414,989
NONOPERATING REVENUES		
Investment income	26	777
Total Non-Operating Revenues	26	777
Change in net position	7,616,342	415,766
NET POSITION, Beginning of Year	(19,141,794)	(19,557,560)
NET POSITION, END OF YEAR	$ (11,525,452)	$ (19,141,794)

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP members for services	$ 1,354,503	$ 3,343,925
Cash received from related parties for services	12,694,687	11,792,762
Cash payments to employees for services	(10,592,006)	(12,811,988)
Cash payments to suppliers and related parties for good and services	(3,820,112)	(2,344,668)
Net Cash Used in Operating Activities	(362,928)	(19,969)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	26	777
Net Cash Provided by Investing Activities	26	777
Net Change in Cash and Cash Equivalents	(362,902)	(19,192)
CASH AND CASH EQUIVALENTS, Beginning of Year	680,961	700,153
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 318,059	$ 680,961

	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ 7,616,316	$ 414,989
Changes in assets and liabilities		
Receivables from AMP	580,622	(9,551)
Receivables from related parties	(3,234,964)	(333,545)
Cost and estimated earnings in excess of billings from projects constructed on behalf of members	2,041,189	(286,756)
Deferred inflows and outflows, net	3,203,390	4,406,572
Accounts payable and accrued expenses	(168,397)	168,132
Accrued salaries and related benefits	464,976	(14,097)
Accrued vacation and sick leave	(46,328)	456,625
Net change in pension & OPEB liabilities/assets	(10,819,732)	(4,822,338)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (362,928)	$ (19,969)

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, 2020, 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: 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, 2021.

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.

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

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

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

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 collectability, 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/assets, 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

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

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 Notes 5 and 6.

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 Notes 5 and 6.

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 non-operating 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

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

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:

	2021	2020	Risks
Checking / Money Market Funds	$ 318,059	$ 680,961	Custodial credit
Total Cash and Cash Equivalents	$ 318,059	$ 680,961	

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, 2021 and 2020.

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. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2021 and 2020 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 2021, 2020 and 2019 were:

Year	Beginning Balance	Current year claims and change in Estimate	Claim Payments	Ending Balance
2021	$ 249,657	$ 2,056,610	$ 1,985,100	$ 321,167
2020	$ 157,000	$ 2,411,572	$ 2,318,915	$ 249,657
2019	$ 210,736	$ 878,338	$ 932,074	$ 157,000

NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the years ended December 31, 2021 and 2020 are as follows:

2021	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,902,790	$ 448,744	$ 154,211	$ 2,197,323	$ -
Net OPEB liability	7,450,972	-	7,450,972	-	-
Net pension liability	9,989,883	-	2,389,176	7,600,707	-
Total	$ 19,343,645	$ 448,744	$ 9,994,359	$ 9,798,030	$ -

2020	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,658,640	$ 401,385	$ 157,235	$ 1,902,790	$ -
Net OPEB liability	7,508,010		57,038	7,450,972	-
Net pension liability	14,755,183	-	4,765,300	9,989,883	-
Total	$ 23,921,833	$ 401,385	$ 4,979,573	$ 19,343,645	$ -

NOTE 5 – DEFINED BENEFIT PENSION PLANS

The statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and 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 net pension liability and the net OPEB liability (asset) represent MESA's proportionate share of each pension/OPEB 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, 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/OPEB are financed; however, MESA does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 6 for the OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. MESA employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 5 – PENSION BENEFITS (CONT.)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 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 years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the original base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3 percent.

NOTE 5 – PENSION BENEFITS (CONT.)

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $979,582 for 2021 and $1,184,010 for 2020. Of the 2021 amount, $153,628 is reported as an accrued salaries and related benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2020 and 2019, 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 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 and pension expense:

	2021 OPERS	2020 OPERS
Proportion of the Net Pension Liability:		
Current Measurement Period	0.051329%	0.050542%
Prior Measurement Period	0.050542%	0.054081%
Change in Proportion	0.000787%	-0.003539%
Proportionate Share of the Net Pension Liability	$ 7,600,707	$ 9,989,883
Pension Expense	$ (222,402)	$ 718,929

NOTE 5 – PENSION BENEFITS (CONT.)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2021 and 2020, MESA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021 OPERS	2020 OPERS
Deferred Outflows of Resources		
Changes of Assumptions	$ -	$ 533,577
Changes in Proportionate Share and Differences in Contributions	108,365	-
MESA Contributions Subsequent to the Measurement Date	979,582	1,184,010
Total Deferred Outflows of Resources	$ 1,087,947	$ 1,717,587
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 317,944	$ 126,308
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,962,536	1,992,757
Changes in Proportionate Share and Differences in Contributions	157,087	760,950
Total Deferred Inflows of Resources	$ 3,437,567	$ 2,880,015

$979,582 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2022	$ (1,335,824)
2023	(381,702)
2024	(1,207,631)
2025	(404,045)
Total	$ (3,329,202)

NOTE 5 – PENSION BENEFITS (CONT.)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020 and 2019 are presented below.

Actuarial Information	Traditional Pension Plan
Wage Inflation	3.25 percent
Future Salary Increases, including wage inflation	3.25 percent to 10.75 percent (including wage inflation)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.20 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 0.50 percent Simple through 2021, then 2.15 percent Simple

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple. In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

NOTE 5 – PENSION BENEFITS (CONT.)

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

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

The 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	100.00 %	5.43 %

NOTE 5 – PENSION BENEFITS (CONT.)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent for 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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 presents MESA's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent and MESA's proportionate share of the net pension liability if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
MESA's Proportionate Share of the Net Pension Liability	$ 14,498,389	$ 7,600,707	$ 1,865,296

Changes between Measurement Date and Report Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

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

See Note 5 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The heath care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS(CONT.)

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report 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 the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021 and 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021 and 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 and 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $0 for 2021 and 2020.

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS(CONT.)

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019 and 2018, rolled forward to the measurement date of December 31, 2020 and 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. MESA's proportion of the net OPEB liability (asset) was based on MESA's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2021 OPERS	2020 OPERS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Period	0.0549840%	0.0539433%
Prior Measurement Period	0.0539433%	0.0575872%
Change in Proportion	0.0010407%	-0.0036439%
Proportionate Share of the Net OPEB Liability (Asset)	$ (979,584)	$ 7,450,972
OPEB Expense	$ (6,414,358)	$ 49,315

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

	2021 OPERS	2020 OPERS
Deferred Outflows of Resources		
Differences between Expected and Actual Experience	$ -	$ 200
Changes of Assumptions	481,576	1,179,410
Changes in Proportionate Share and Differences in Contributions	87,762	-
Total Deferred Outflows of Resources	$ 569,338	$ 1,179,610
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 884,070	$ 681,426
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	521,741	379,402
Changes of Assumptions	1,587,220	-
Changes in Proportionate Share and Differences in Contributions	131,016	657,293
Total Deferred Inflows of Resources	$ 3,124,047	$ 1,718,121

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

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

Year Ending December 31:	OPERS
2022	$ (1,388,552)
2023	(877,954)
2024	(226,726)
2025	(61,477)
Total	$ (2,554,709)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and 2018, rolled forward to the measurement date of December 31, 2020 and 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	
2020 Measurement Date	6.00 percent
2019 Measurement Date	3.16 percent
2018 Measurement Date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
2020 Measurement Date	2.00 percent
2019 Measurement Date	2.75 percent
2018 Measurement Date	3.71 percent
Health Care Cost Trend Rate:	
2020 Measurement Date	8.5 percent, initial, 3.50 percent, ultimate in 2035
2019 Measurement Date	10.5 percent, initial, 3.50 percent, ultimate in 2030
2018 Measurement Date	10.0 percent, initial, 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 19.7 percent for 2019.

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

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

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

Discount Rate A single discount rate of 6.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The current measurement period's single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine these single discount rates assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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

Sensitivity of MESA's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents MESA's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent and MESA's proportionate share of the net OPEB liability (asset) if it were calculated using a discount rate that is one percent lower (5.00 percent) or one percent higher (7.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
MESA's Proportionate Share of the Net OPEB (Asset):	$ (243,579)	$ (979,584)	$ (1,584,639)

Sensitivity of MESA's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
MESA's Proportionate Share of the Net OPEB (Asset):	$ (1,003,458)	$ (979,584)	$ (952,873)

Changes between Measurement Date and Report Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

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:

Entity	2021	2020
AMP	$ 13,888,462	$ 10,937,688
Ohio Municipal Electric Generation Agency Joint Venture 2	-	423,860
Ohio Municipal Electric Generation Agency Joint Venture 4	-	1,202
Ohio Municipal Electric Generation Agency Joint Venture 5	-	878,479
Ohio Municipal Electric Generation Agency Joint Venture 6	-	21,301
Ohio Municipal Electric Association	-	150,533
AMP Members	773,881	3,353,476
Total	$ 14,662,343	$ 15,766,539

At December 31, 2021 and 2020, MESA had receivables from affiliates of $4,364,403 and $1,129,439 respectively, and receivables from AMP members of $163,243 and $743,865 respectively.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Eight 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%
2019	0.054081%	14,755,183	8,391,079	175.84%	74.70%
2020	0.050542%	9,989,883	7,421,957	134.60%	82.17%
2021	0.051329%	7,600,707	8,457,214	89.87%	86.88%

(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 the MESA's measurement date, which is the prior year-end.

Notes to Schedule:

Changes in Assumptions

For 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021.

For 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:
• Discount rate from 8.00 percent to 7.50 percent
• Wage inflation rate from 3.75 percent to 3.25 percent
• Price inflation from 3.00 percent to 2.50 percent

Changes in Benefit Terms

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Nine Years (1)

	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%
2019	1,039,074	(1,039,074)	-	7,421,957	14.00%
2020	1,184,010	(1,184,010)	-	8,457,214	14.00%
2021	979,582	(979,582)	-	6,997,014	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 (Asset)
Ohio Public Employees Retirement System
Last Five Years (1) (2)

	MESA's Proportion of the Net OPEB Liability (Asset)	MESA's Proportionate Share of the Net OPEB Liability (Asset)	MESA's Covered Payroll	MESA's Proportionate Share of the Net OPEB Liability (Asset) 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%
2019	0.057587%	7,508,010	8,391,079	89.48%	46.33%
2020	0.053943%	7,450,972	7,421,957	100.39%	47.80%
2021	0.054984%	(979,584)	8,457,214	-11.58%	115.57%

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

Notes to Schedule:

Changes in Assumptions

For calendar year 2021, the following changes were made to the actuarial assumptions:
• Discount rate from 3.16 percent to 6.00 percent
• Municipal bond rate from 2.75 percent to 2.00 percent
• Health Care Cost Trend Rate from 10.50 percent to 8.50 percent

For calendar year 2020, the following changes were made to the actuarial assumptions:
• Discount rate from 3.96 percent to 3.16 percent
• Municipal bond rate from 3.71 percent to 2.75 percent
• Health Care Cost Trend Rate from 10.00 percent to 10.50 percent

For calendar year 2019, the following changes were made to the actuarial assumptions:
• Discount rate from 3.85 percent to 3.96 percent
• Investment rate of return from 6.50 percent to 6.00 percent
• Municipal bond rate from 3.31 percent to 3.71 percent
• Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Benefit Terms

No significant changes in benefit terms.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA OPEB Contributions
Ohio Public Employees Retirement System
Last Nine 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	$ 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%
2019	-	-	-	7,421,957	0.00%
2020	-	-	-	8,457,214	0.00%
2021	-	-	-	6,997,014	0.00%

INDEPENDENT AUDITOR'S 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*

Municipal Energy Services Agency
Franklin County, Ohio
1100 Schrock Road, Suite 100
Columbus, OH 43229

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), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise MESA's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 28, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/31/2022