OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2019 and 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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 Road
Suite 100
Columbus, Ohio 43229

We have reviewed the *Independent Auditors' Report* of the OMEGA JV 2, 4, 5, 6 and MESA, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. 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 21, 2020

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

CLARK SCHAEFER HACKETT
CPAs & Advisors

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 2 as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

During the year ended December 31, 2019, OMEGA JV2 adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. As a result of the implementation of GASB Statement No. 83, OMEGA JV2 reclassified certain amounts in the December 31, 2018 financial statements (See Note 9). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of OMEGA JV2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV2's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

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, 2019 and 2018. 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

	2019	Restated 2018	Restated 2017
Assets and Deferred Outflow of Resources			
Electric plant and equipment, net of accumulated depreciation	$ 8,667,414	$ 10,414,942	$ 11,497,178
Regulatory assets	2,955,298	3,225,463	1,743,810
Current assets	1,789,902	2,637,078	3,879,765
Deferred outflow of resources	263,172	32,294	34,968
Total Assets and Deferred Outflow of Resources	$ 13,675,786	$ 16,309,777	$ 17,155,721
Net Position, Liabilities, and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 8,667,414	$ 10,414,942	$ 11,497,178
Net position - unrestricted	(5,465,848)	(3,779,865)	(1,454,010)
Current liabilities	2,483,177	2,211,774	1,107,418
Noncurrent liabilities	1,826,433	1,853,590	1,778,779
Deferred inflow of resources	6,164,610	5,609,336	4,226,356
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 13,675,786	$ 16,309,777	$ 17,155,721

2019 vs. 2018

Total assets and deferred outflow of resources were $13,675,786 and $16,309,777 on December 31, 2019 and December 31, 2018, respectively, a decrease of $2,633,991. The decrease in total assets was due to decreases in net capital assets of $1,747,528 and decreases in cash and other current assets of $847,176 and a decrease in regulatory assets of $270,165.

Electric plant and equipment, net of accumulated depreciation was $8,667,414 and $10,414,942 at year-end 2019 and 2018, respectively, a decrease of $1,747,528. This decrease was primarily the result of yearly depreciation of $3,433,512 partially offset by capital additions of $1,685,984.

The deferred outflow of resources related to the asset retirement obligation was $263,172 and $32,294 at year-end 2019 and 2018, respectively, an increase in estimate of $202,568. Estimated values of asset retirement obligations and related deferred outflow of resources are prepared by an independent engineering consultant.

Regulatory assets were $2,955,298 and $3,225,463 at December 31, 2019 and 2018, respectively, a decrease of $270,165. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. The decrease reflects changes in ARO estimates of $202,567 and the annual ARO accretion of $71,341. 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 $1,789,902 and $2,637,078 as of December 31, 2019 and 2018, respectively, a decrease of $847,176. This decrease was primarily due to decreases in operating cash of $725,807 and receivables from participants of $131,917 These decreases are partially offset by an increase in prepaid expenses of $41,351.

Total liabilities, deferred inflow of resources and net position were $13,675,786 and $16,309,777 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $2,633,991. This decrease was the result of a reduction in net position of $3,433,511 partially offset by increases in rates intended to recover future costs of $555,274 and total liabilities of $244,246.

Total net position was $3,201,566 and $6,635,077 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $3,433,511. Net investment in capital assets was $8,667,414 and $10,414,942 at December 31, 2019 and December 31, 2018, respectively, a decrease of $1,747,528. The Unrestricted net position was ($5,465,248) and ($3,779,865) at December 31, 2019 and December 31, 2018, respectively, a decrease of $1,685,983.

Deferred inflows of resources were $6,164,610 and $5,609,336 at December 31, 2019 and December 31, 2018, respectively, an increase of $555,274. 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 $1,826,433 and $1,853,590 at December 31, 2019 and December 31, 2018, respectively, a decrease of $27,157 as the result of the yearly ARO accretion expense and changes to the estimated ARO as discussed above.

Current liabilities were $2,483,177 and $2,211,774 as of December 31, 2019 and December 31, 2018, respectively, an increase of $271,403. This increase was primarily the result of increased payable to related parties of $516,434 partially offset by decreased accounts payable obligations to third party vendors of $245,031.

2018 vs. 2017

Total assets and deferred outflow of resources were $16,309,777 and $17,155,721 on December 31, 2018 and December 31, 2017, respectively, a decrease of $845,944. The decrease in total assets was due to decreases in net capital assets from yearly depreciation of $3,408,090 and decrease in cash and other current assets of $1,242,687 partially offset by capital additions of $2,372,187 and an increase in regulatory assets of $1,481,653.

Electric plant and equipment, net of accumulated depreciation was $10,414,942 and $11,497,178 at year-end 2018 and 2017, respectively, a decrease of $1,082,236. This decrease was primarily the result of yearly depreciation of $3,408,090 partially offset by capital additions of $2,372,187.

The deferred outflow of resources related to the asset retirement obligation was $32,294 and $34,968 at year-end 2018 and 2017, respectively, a decrease due to the systematic recognition of expenses. Estimated values of asset retirement obligations and related deferred outflow of resources are prepared by an independent engineering consultant.

Regulatory assets were $3,225,463 and $1,743,810 at December 31, 2018 and 2017, respectively, an increase of $1,481,653. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. The increase mainly reflects higher incurred expenses as compared to rates charged of $1,370,488, the annual ARO accretion of $74,811 and the regulatory asset related to debt service of $33,680. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net position as the corresponding expense or revenue is realized.

Current assets were $2,637,078 and $3,879,765 as of December 31, 2018 and 2017, respectively, a decrease of $1,242,687. This decrease was primarily due to decreases in operating cash of $1,045,418, receivables from participants of $195,830, and prepaid expenses of $32,422. These decreases are partially offset by an increase in fuel inventory of $31,160.

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

Total net position was $6,635,077 and $10,043,168 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $3,408,091. Net investment in capital assets was $10,414,942 and $11,497,178 at December 31, 2018 and December 31, 2017, respectively, a decrease of $1,082,236. The Unrestricted net position was ($3,779,865) and ($1,454,010) at December 31, 2018 and December 31, 2017, respectively, a decrease of $2,325,855.

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

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

Current liabilities were $2,211,774 and $1,107,241 as of December 31, 2018 and December 31, 2017, respectively, an increase of $1,104,553. This increase was primarily the result of increased payable to related parties of $949,783 as well as increased accounts payable obligations to third party vendors of $154,573.

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

	2019	Restated 2018	Restated 2017
Operating Revenues	$ 9,923,134	$ 12,322,705	$ 11,993,689
Operating Expenses	13,411,808	15,778,054	15,345,577
Operating Loss	$ (3,488,674)	$ (3,455,349)	$ (3,351,888)
Non-operating revenues/expenses			
Investment Income	$ 12,132	$ 16,106	$ 7,368
Other non-operating revenue/expenses	-	(46,333)	-
Future recoverable costs	43,031	77,485	72,773
Non-operating revenues/expenses	$ 55,163	$ 47,258	$ 80,141
Change in Net Position	$ (3,433,511)	$ (3,408,091)	$ (3,271,747)

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 2019 were $9,923,134 versus $12,332,705 in 2018, a decrease of $2,409,571, mainly due to decreased fixed demands. 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 2018 were $12,322,705 versus $11,993,689 in 2017, an increase of $329,016, mainly due to an increase fixed demands partially offset by decreased capacity rates billed to the members. Capacity rates are determined by the regional transmission organization (RTO) auction process. Capacity revenue is passed back directly to members as a reduction of their bill and is shown as an expense to the project.

OMEGA JV2 operating expenses in 2019 were $13,411,808 versus $15,778,054 in 2018, a decrease of $2,366,246. This decrease in expense was due to more normal operating costs in 2019 as overhauls were completed in 2018. In addition, capacity expenses decreased year over year 2019 vs 2018 by $1,723,783. OMEGA JV2 operating expenses in 2018 were $15,778,054 versus $15,345,577 in 2017, an increase of $432,477. This increase in expense was due to higher maintenance costs in 2018 vs 2017 of $1,082,006 primarily as a result of an overhaul on the three gas turbines plus other net increases of $275,359 year over year offset by decreased capacity expenses in 2018 vs 2017 of $1,239,124.

Investment income in 2019 was $12,132 versus $16,106 in 2018, a decrease of $3,974. This decrease in investment income is due to lower cash balances being held in interest bearing checking accounts year over year. Investment income in 2018 was $16,106 versus $7,368 in 2017, an increase of $8,738. This increase in investment income was due to higher cash balances being held in interest bearing checking accounts year over year

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, 2019 and 2018

	2019	Restated 2018
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and temporary investments	$ 660,052	1,385,859
Receivables from participants	770,061	901,978
Inventory	187,539	218,342
Prepaid expenses	172,250	130,899
Total Current Assets	1,789,902	2,637,078
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric generators	63,658,616	61,444,273
Construction work in progress	1,294,363	1,822,722
Accumulated depreciation	(56,285,565)	(52,852,053)
Net Electric Plant and Equipment	8,667,414	10,414,942
Other Assets		
Regulatory assets	2,955,298	3,225,463
Total Non-Current Assets	11,622,712	13,640,405
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow from asset retirement obligation	263,172	32,294
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 13,675,786	$ 16,309,777
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 838,572	1,083,603
Payable to related parties	1,644,605	1,128,171
Total Current Liabilities	2,483,177	2,211,774
NONCURRENT LIABILITIES		
Regulatory liabilities		
Asset retirement obligation	1,826,433	1,853,590
Total Noncurrent Liabilities	1,826,433	1,853,590
Total Liabilities	4,309,610	4,065,364
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	6,164,610	5,609,336
NET POSITION		
Net investment in capital assets	8,667,414	10,414,942
Unrestricted	(5,465,848)	(3,779,865)
Total Net Position	3,201,566	6,635,077
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 13,675,786	16,309,777

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, 2019 and 2018

	2019	Restated 2018
OPERATING REVENUES		
Electric revenue	$ 9,923,134	12,322,705
OPERATING EXPENSES		
Related party services	1,067,010	986,859
Capacity	5,768,534	7,492,317
Depreciation	3,433,512	3,410,764
Accretion of asset retirement obligation	71,341	74,811
Fuel	535,831	717,495
Maintenance	1,502,292	1,784,265
Utilities	86,700	136,172
Insurance	260,814	274,149
Professional services	407,261	505,123
Other operating expenses	278,513	396,099
Total Operating Expenses	13,411,808	15,778,054
Operating Loss	(3,488,674)	(3,455,349)
NONOPERATING REVENUES/EXPENSES		
Investment income	12,132	16,106
Other non-operating expenses	-	(46,333)
Future recoverable costs	43,031	77,485
Total Non-Operating Revenues/Expenses	55,163	47,258
Change in net position	(3,433,511)	(3,408,091)
NET POSITION, Beginning of Year	6,635,077	10,043,168
NET POSITION, END OF YEAR	$ 3,201,566	6,635,077

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 10,610,325	$ 13,901,515
Cash paid to related parties for personnel services	(308,382)	(36,899)
Cash payments to suppliers and related parties for goods and services	(9,353,898)	(12,553,953)
Net Cash Provided by Operating Activities	948,045	1,310,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,685,984)	(2,372,187)
Net Cash (Used in) Capital and Related Investing Activities	(1,685,984)	(2,372,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	12,132	16,106
Net Cash Provided by Financing Activities	12,132	16,106
Net Change in Cash and Cash Equivalents	(725,807)	(1,045,418)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,385,859	2,431,277
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 660,052	$ 1,385,859

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (3,488,674)	$ (3,455,349)
Depreciation	3,433,512	3,408,090
Accretion of asset retirement obligation	71,341	74,811
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	131,917	195,830
Receivables from related parties	-	177
Inventory	30,803	(31,160)
Prepaid expenses	(41,351)	32,422
Deferred outflow from asset retirement obligation	(230,878)	2,674
Accounts payable and accrued expenses	(245,031)	154,573
Payable to related parties	516,434	949,783
Regulatory assets	214,698	(1,404,168)
Deferred inflow of resources	555,274	1,382,980
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 948,045	$ 1,310,663

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 OUTFLOW/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	2019	2018
Future expenses related to Asset Retirements	$ 1,563,262	$ 1,821,295
Future expenses related to Other	1,370,488	1,370,488
Future expenses related to Debt Service	21,548	33,680
	$ 2,955,298	$ 3,225,463

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:

	2019	2018
Future expenses related to overhaul maintenance and fixed O&M	$ 6,164,610	$ 5,609,336

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

ASSETS, LIABILITIES, DEFERRED OUTFLOW/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 OUTFLOW/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:

	2019	2018	Risks
Checking	$660,052	$1,385,859	Custodial credit

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2019 and 2018, there were no deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. 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, 2019 and 2018, 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, 2019 and 2018, 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:

	2019			
	Beginning Balance	Additions / Transfers	Retirements / Transfers	Ending Balance
Electric generators	$ 61,444,273	$ 2,214,343	$ -	$ 63,658,616
Construction Work-in-Progress	1,822,722	1,685,984	(2,214,343)	1,294,363
Less: Accumulated Depreciation	(52,852,053)	(3,433,512)	-	(56,285,565)
Electric Plant and Equipment, Net	$ 10,414,942	$ 466,815	$ (2,214,343)	$ 8,667,414

	2018 (Restated)			
	Beginning Balance	Additions	Retirements	Ending Balance
Electric generators	$ 59,410,858	$ 2,435,763	$ (402,348)	$ 61,444,273
Construction Work-in-Progress	1,886,298	3,648,295	(3,711,871)	1,822,722
Less: Accumulated Depreciation	(49,799,978)	(3,408,090)	356,015	(52,852,053)
Electric Plant and Equipment, Net	$ 11,497,178	$ 2,675,968	$ (3,758,204)	$ 10,414,942

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:

2019	Beginning Balance	Revisions To Estimates	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,853,590	$ (98,498)	$ 71,341	$ 1,826,433

2018	Beginning Balance	Revisions To Estimates	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,778,779	$ -	$ 74,811	$ 1,853,590

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

NOTE 5 – NET POSITION

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

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

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

NOTE 5 – NET POSITION (cont.)

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

The following calculation supports the net investment in capital assets:

Description	2019	2018
Electric Plant, Equipment Assets, and Construction Work-in-Progress	$ 63,658,616	$ 61,444,273
Asset Retirement Obligation	1,294,363	1,822,722
Accumulated Depreciation	(56,285,565)	(52,852,053)
Total Net Investment in Capital Assets	$ 8,667,414	$ 10,414,942

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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

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

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. The cost of these services for the years ended December 31, 2019 and 2018 was $201,865 and $202,037, respectively. OMEGA JV2's payables to AMP as of December 31, 2019 and 2018 were $1,576,790 and $1,026,627 respectively.

- As OMEGA JV2's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The expenses related to these services were $865,145 and $784,822 for the years ended December 31, 2019 and 2018, respectively. OMEGA JV2 had a payable to MESA for $39,383 and $66,798 at December 31, 2019 and 2018, respectively. OMEGA JV2 had a payable to AMP for $28,432 and $34,746 at December 31, 2019 and 2018, respectively.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $86,700 and $136,172 for these services for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, OMEGA JV2 implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. An entity that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83. These changes were incorporated in the OMEGA JV2 2019 and 2018 financial statements. There was no effect on beginning net position, however certain amounts were reclassified in the 2018 financial statements.

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2020, wherein we noted OMEGA JV2 implemented GASB Statement No. 83.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2019 and 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 4 as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 9 to the financial statements, certain errors resulting in misstatements of deferred inflows of resources, net position, and revenues as of December 31, 2018, were discovered by management of the Ohio Municipal Electric Generation Agency Joint Venture 4 during the current year. Accordingly, amounts reported for operating revenues, net position and deferred inflows of resources have been restated in the 2018 financials as presented, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of OMEGA JV4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV4's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, 2018 and 2017
(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, 2019 and 2018. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statement of Net Position

	2019	Restated 2018	Restated 2017
Assets			
Transmission line, net of accumulated depreciation	$ 591,448	$ 689,723	$ 787,998
Board designated funds	500,000	450,000	400,000
Current assets	407,506	356,228	316,880
Total Assets	$ 1,498,954	$ 1,495,951	$ 1,504,878
Net Position and Liabilities			
Net position - net investment in capital assets	$ 591,448	$ 689,723	$ 787,998
Net position - unrestricted	880,446	782,313	691,955
Current liabilities	27,060	23,915	24,925
Total Net Position and Liabilities	$ 1,498,954	$ 1,495,951	$ 1,504,878

2019 vs. 2018

Total assets were $1,498,954 and $1,495,951 as of December 31, 2019 and December 31, 2018, respectively, an increase of $3,003. The increase in 2019 total assets is due to the yearly depreciation of $98,275 offset by increases in operating cash of $51,329, and Board designated funds of $50,000. The Board designated funds are an annual maintenance reserve contribution specifically earmarked for the decommissioning of power lines.

Utility plant, net of accumulated depreciation was $591,448 and $689,723 at year-end 2019 and 2018, respectively, a decrease of $98,275. The decrease was the result of the annual depreciation.

Current assets were $407,506 and $356,228 at December 31, 2019 and December 31, 2018, respectively, an increase of $51,278. Cash and temporary investments increased by $51,329 and receivables decreased by $51.

Total net position and liabilities were $1,498,954 and $1,495,951 as of December 31, 2019 and December 31, 2018, respectively, an increase of $3,003.

Total net position was $1,471,894 and $1,472,036 at December 31, 2019 and December 31, 2018, respectively, a decrease of $142. Net investment in capital assets was $591,448 and $689,723 at December 31, 2019 and December 31, 2018, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was $880,446 and $782,313 at December 31, 2019 and December 31, 2018, respectively, an increase of $98,133.

Current liabilities were $27,060 and $23,915 at December 31, 2019 and December 31, 2018, respectively, an increase of $3,145. This resulted from a decrease in payables to related parties of $1,855 and an increase in accruals of $5,000.

2018 vs. 2017

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

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

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

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

Total net position was $1,472,036 and $1,479,953 at December 31, 2018 and December 31, 2017, respectively, a decrease of $7,917. Net investment in capital assets was $689,723 and $787,998 at December 31, 2018 and December 31, 2017, respectively, a decrease of $98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was $782,313 and $691,955 at December 31, 2018 and December 31, 2017, respectively, a decrease of $90,358, which was due to distributions to members.

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

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

	2019	Restated 2018	Restated 2017
Operating revenues	$ 270,000	$ 270,000	$ 270,000
Operating expenses	146,121	149,541	272,692
Operating Income (Loss)	123,879	120,459	(2,692)
Nonoperating revenues			
Investment income	10,979	6,624	2,072
Income (Loss) before Distributions	134,858	127,083	(620)
Distributions to members	135,000	135,000	172,351
Change in Net Position	$ (142)	$ (7,917)	$ (172,971)

Total operating revenues in 2019 and 2018 were $270,000. Transmission member revenue billed year over year remained constant at $270,000.

Operating expenses in 2019 were $146,121 versus $149,541 in 2018, a decrease of $3,420. Operating expenses in 2018 were $149,541 versus $272,692 in 2017, which was a decrease of $123,151.

Investment income in 2019 was $10,979 versus $6,624 in 2018, an increase of $4,355 due to an increase in the balance of investments earning interest. Investment income in 2018 was $6,624 versus $2,072 in 2017, an increase of $4,552 from increases in the balance of investments earning interest. Investment income for OMEGA JV4 is interest earned on checking account balances and short-term investments.

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

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	Restated 2018
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 385,006	$ 333,677
Receivables from unrelated parties	22,500	22,500
Receivables from related parties	-	51
Total Current Assets	407,506	356,228
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,645,438	2,645,438
Accumulated depreciation	(2,053,990)	(1,955,715)
Net Utility Plant	591,448	689,723
Other Assets		
Board designated funds	500,000	450,000
Total Non-Current Assets	1,091,448	1,139,723
TOTAL ASSETS	$ 1,498,954	$ 1,495,951
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued expenses	$ 27,000	$ 22,000
Payable to related parties	60	1,915
Total Current Liabilities	27,060	23,915
NET POSITION		
Net investment in capital assets	591,448	689,723
Unrestricted	880,446	782,313
Total Net Position	1,471,894	1,472,036
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 1,498,954	$ 1,495,951

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
OPERATING REVENUES		
Transmission revenue	$ 270,000	$ 270,000
OPERATING EXPENSES		
Related party personnel services	5,577	22,344
Depreciation	98,275	98,275
Maintenance	10,163	6,406
Professional services	32,106	22,516
Total Operating Expenses	146,121	149,541
Operating Income	123,879	120,459
NONOPERATING REVENUES		
Investment income	10,979	6,624
Income before Distributions	134,858	127,083
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	(142)	(7,917)
NET POSITION, Beginning of Year, Restated	1,472,036	1,479,953
NET POSITION, END OF YEAR	$ 1,471,894	$ 1,472,036

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOW
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 270,051	$ 269,949
Cash paid to related parties for personnel services	(7,432)	(23,354)
Cash paid to suppliers and related parties for goods and services	(37,269)	(28,922)
Net Cash Provided by Operating Activities	225,350	217,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(135,000)	(135,000)
Net Cash Used in Noncapital Financing Activities	(135,000)	(135,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	10,979	6,624
Net Cash Provided by Financing Activities	10,979	6,624
Net Change in Cash and Cash Equivalents	101,329	89,297
CASH AND CASH EQUIVALENTS, Beginning of Year	783,677	694,380
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 885,006	$ 783,677

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENTS OF CASH FLOW
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 123,879	$ 120,459
Depreciation	98,275	98,275
Changes in assets and liabilities		
Receivables	51	(51)
Accrued expenses	5,000	-
Payable to related parties	(1,855)	(1,010)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 225,350	$ 217,673

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:

	2019	2018	Risks
Checking	$ 885,006	$ 783,677	Custodial credit

Custodial Credit Risk

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2019, and 2018, 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, 2019, and 2018, 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, 2019, and 2018, 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:

2019	Beginning Balance	Additions	Retirements	Ending Balance
Transmission lines	$ 2,645,438	$ -	$ -	$ 2,645,438
Less: Accumulated Depreciation	(1,955,715)	(98,275)	-	(2,053,990)
Utility Plant, Net	$ 689,723	$ (98,275)	$ -	$ 591,448

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

NOTE 4 – NET POSITION

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

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

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

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

The following calculation supports the net investment in capital assets:

Description	**2019**	2018
Plant in service	$ 2,645,438	$ 2,645,438
Accumulated Depreciation	(2,053,990)	(1,955,715)
Total Net Investment in Capital Assets	$ 591,448	$ 689,723

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 2019 and 2018 was 100% derived from a nonparticipant. The contract with the nonparticipant can be cancelled on or after October 31, 2009 upon written notice six months prior to cancellation. As of December 31, 2019, 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 $5,577 and $22,344 for the years ended December 31, 2019 and 2018, respectively. OMEGA JV4 had a payable to MESA of $2 and $702 at December 31, 2019 and 2018, respectively. OMEGA JV4 had a payable to AMP of $58 and $1,213 at December 31, 2019 and 2018, respectively.

NOTE 9 – RESTATEMENT

OMEGA JV4's Participant Agreement is written to provide for the return of excess revenues to participants through distributions each year. Excess revenues were previously accounted before as a deferred inflow, but should have been reflected in Unrestricted Net Position. As a result, the following restatement was necessary to correct this error in the 2018 financial statements:

Balance sheet changes	Previously Reported Amount	Change	Corrected Amount
Deferred Inflow of Resources - Rates intended to recover future costs	1,142,212	(1,142,212)	-
Net position - Unrestricted	(359,899)	1,142,212	782,313
Income statement changes			
Transmission revenues	44,641	225,359	270,000
Operating Income	(104,899)	225,359	120,459
Change in Net Position	(233,275)	225,359	(7,917)

CLARK SCHAEFER HACKETT
CPAS & ADVISORS
One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2020, wherein we noted a correction of an error in the 2018 financial statements.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

OMEGA JV4's Response to the Finding

OMEGA JV4's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. OMEGA JV4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

2019-001 Correction of an Error

During 2019, management of OMEGA JV4 determined they had not previously treated the revenues of OMEGA JV4 in accordance with the terms of the JV4 Participant Agreement. Revenues in the past have been recorded in accordance with rate regulated accounting, however, excess revenues of OMEGA JV4 are not used to cover future costs and instead are returned to the participants through distributions.

Rate regulated accounting ceased during 2019, the 2018 financial statement amounts were restated, and beginning net position was adjusted to remove the prior years' effects. We recommend OMEGA JV4 implement procedures to ensure proper revenue recognition is set up at the adoption of any future participation agreements.

Management Response: Management agrees with this finding.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2019 and 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of OMEGA JV5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV5's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, 2018 and 2017
(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, 2019 and 2018. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

	2019	2018	2017
Assets			
Current assets	$ 15,249,688	$ 15,570,159	$ 13,609,416
Restricted assets - noncurrent	4,090,628	3,804,408	7,853,537
Electric plant and land	86,179,419	92,687,389	99,689,071
Other assets	193,443	1,315,256	1,792,644
Total assets	$ 105,713,178	$ 113,377,212	$ 122,944,668
Net Position, Liabilities, and Deferred Inflow of Resources			
Net investment in capital assets	$ 27,231,739	$ 28,405,999	$ 26,731,995
Net position - restricted	4,090,628	3,804,408	7,853,537
Net position - unrestricted	(28,334,480)	(29,222,520)	(31,597,645)
Net beneficial interest certificates	58,947,680	64,281,390	72,957,076
Current liabilities	1,419,924	1,875,958	1,453,011
Noncurrent liabilities	488,188	461,407	483,404
Deferred inflow of resources	41,869,499	43,770,570	45,063,290
Total net position, liabilities, and deferred inflow of resources	$ 105,713,178	$ 113,377,212	$ 122,944,668

2019 vs. 2018

Total assets were $105,713,178 and $113,377,212 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $7,664,034. The decrease is due to a decrease in Net Electric Plant and Equipment of $6,507,970 and other Non-Current assets of $1,162,010. These decreases were partially offset by increases in cash and temporary investments of $203,855.

Total current assets were $15,249,688 and $15,570,159 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $320,471. This decrease is due to decreases of $271,973 in receivables from participants, $195,383 in receivables from related parties, $34,972 in accrued interest receivable and $21,998 in prepaid expenses. These decreases were partially offset by increases in cash and temporary investments of $203,855.

Utility plant assets were $86,179,419 and $92,687,389 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $6,507,970. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,613,663 and the sale of capital assets with a net book value of $1,894,306.

Noncurrent restricted assets were $4,090,628 and $3,804,408 as of December 31, 2019 and December 31, 2018, respectively, an increase of $286,220. These assets at December 31, 2019 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 $193,443 and $1,315,256 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $1,121,813. The decrease is due to the recovery of costs previously recorded as regulatory assets.

Total net position, liabilities, and deferred inflow of resources were $105,713,178 and $113,377,212 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $7,664,034.

Net position was $2,987,887 at December 31, 2019 and December 31, 2018.

Net Beneficial Interest Certificates were $58,947,680 and $64,281,390 at December 31, 2019 and December 31, 2018, respectively, a decrease of $5,333,710. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization.

Current liabilities excluding the current portion of 2016 Certificates were $1,419,924 and $1,875,958 at December 31, 2019 and December 31, 2018, respectively, a decrease of $456,034. This decrease was mainly due to a decrease of $342,339 in accounts payable and accrued expenses, $92,937 in payables to related parties for engineering, finance, administration and other services and $20,758 in accrued interest.

Noncurrent liabilities were $488,188 and $461,407 at December 31, 2019 and December 31, 2018, respectively, an increase of $26,781. This was the result of an increase in accrued license fees of $26,781. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2019 and 2018. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $41,869,499 and $43,770,570 as of December 31, 2019 and December 31, 2018, respectively a decrease of $1,901,071. This was primarily the result of expenses incurred in excess of revenues received and the revenue received for OMEGA JV5 refinancing interest and trust covenant.

2018 vs. 2017

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

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

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

Noncurrent restricted assets were $3,804,408 and $7,853,537 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $4,049,129 as the result of using these funds to pay down debt. These assets at December 31, 2018 represent amounts in the Reserve and Contingency Fund and Bond Redemption Fund that are held in accordance with the 2001 Certificates and 2016 Certificates bond indentures.

Other assets were $1,315,256 and $1,792,644 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $477,388. The decrease is due to a decrease of $463,561 in regulatory assets due to operating expenses incurred for the year being lower than the revenues collected and a decrease in prepaid bond insurance of $13,827 for amortization.

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

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

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

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

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

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

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

	2019	2018	2017
Operating revenues	$ 22,787,618	$ 24,358,041	$ 18,353,035
Operating expenses	18,938,232	20,452,791	16,006,989
Operating income	3,849,386	3,905,250	2,346,046
Nonoperating income and expense			
Investment income	455,522	283,208	189,208
Interest expense	(2,436,775)	(2,472,638)	(2,521,427)
Loss on disposition of property	(1,854,306)	(1,701,993)	-
Amortization	(13,827)	(13,827)	(13,827)
Total Nonoperating income/(expense)	(3,849,386)	(3,905,250)	(2,346,046)
Change in net position	$ -	$ -	$ -

Operating results

Operating revenues were $22,787,618 in 2019, a decrease of $1,570,423 from 2018 operating revenue of $24,358,041. 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 $24,358,041 in 2018, an increase of $6,005,006 from 2017 operating revenue of $18,353,035. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses and debt service, if any. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating expenses were $18,938,232 in 2019, a decrease of $1,514,559 from 2018 operating expenses of $20,452,791. This decrease was the result of lower purchased power expense of $707,452, capacity expense of $525,442, professional services of $69,345, and other expenses of $335,330. Maintenance expense resulted in an increase of $246,050.

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

Non-Operating expense totaled $3,849,386 in 2019 and $3,905,250 in 2018, respectively, a decrease of $55,864.

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

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, 2019 and 2018

		2019		2018
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$	12,768,690		12,564,835
Receivables from participants		1,911,211		2,183,184
Receivables from related parties		403,122		598,505
Accrued interest receivable		65,275		100,247
Prepaid expenses		101,390		123,388
Total Current Assets		15,249,688		15,570,159
NONCURRENT ASSETS				
Restricted Assets				
Restricted assets - funds held by trustee		4,090,628		3,804,408
Electric Plant and Land				
Electric plant in service		178,534,413		182,447,358
Land		431,881		431,881
Accumulated depreciation		(92,786,875)		(90,191,850)
Net Electric Plant and Equipment		86,179,419		92,687,389
Other Assets				
Prepaid bond insurance, net		153,245		167,072
Regulatory assets		40,198		1,148,184
Total Non-Current Assets		90,463,490		97,807,053
TOTAL ASSETS	$	105,713,178	$	113,377,212
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses		1,276,085		1,618,424
Payables to related parties		111,804		204,741
2016 beneficial interest certificiates - current		6,150,000		6,150,000
Accrued interest		32,035		52,793
Total Current Liabilities		7,569,924		8,025,958
NONCURRENT LIABILITIES				
Accrued license fees		170,515		143,734
2016 beneficial interest certificiates		14,815,000		22,165,000
2001 beneficial interest certificiates		56,125,000		56,125,000
Unamortized discount		(18,142,320)		(20,158,610)
Asset retirement obligation		317,673		317,673
Total Noncurrent Liabilities		53,285,868		58,592,797
Total Liabilities		60,855,792		66,618,755
DEFERRED INFLOW OF RESOURCES				
Rates intended to recover future costs		41,869,499		43,770,570
TOTAL DEFERRED INFLOW OF RESOURCES		41,869,499		43,770,570
NET POSITION				
Net investment in capital assets		27,231,739		28,405,999
Restricted		4,090,628		3,804,408
Unrestricted		(28,334,480)		(29,222,520)
Total Net Position		2,987,887		2,987,887
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$	105,713,178	$	113,377,212

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Electric revenue	$ 22,787,618	24,358,041
OPERATING EXPENSES		
Purchased power	5,838,414	6,545,866
Capacity	1,931,487	2,456,929
Related party services	2,025,341	2,029,937
Depreciation	4,613,663	4,691,689
Maintenance	1,940,147	1,694,097
Utilities	153,185	178,808
Insurance	213,602	228,347
Professional services	93,759	163,104
Payment in lieu of taxes	839,950	840,000
Other operating expenses	1,288,684	1,624,014
Total Operating Expenses	18,938,232	20,452,791
Operating Income	3,849,386	3,905,250
NONOPERATING INCOME AND EXPENSE		
Investment income	455,522	283,208
Interest expense	(2,436,775)	(2,472,638)
Amortization of insurance	(13,827)	(13,827)
Loss on dispositon of property	(1,854,306)	(1,701,993)
Total Non-Operating Expense	(3,849,386)	(3,905,250)
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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 22,306,704	$ 22,854,465
Cash paid to related parties for personnel services	(2,118,278)	(2,074,651)
Cash payments to suppliers and related parties for goods and services	(12,437,603)	(13,245,110)
Net Cash Provided by Operating Activities	7,750,823	7,534,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on debt issuance	(7,350,000)	(10,585,000)
Interest payments on debt issuance	(441,242)	(563,804)
Proceeds from sale of Asset	40,000	608,000
Net Cash Used in Capital and Related Investing Activities	(7,751,242)	(10,540,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (purchased) sold	(286,220)	4,049,129
Investment income received	490,494	297,770
Net Cash Provided by Investing Activities	204,274	4,346,899
Net Change in Cash and Cash Equivalents	203,855	1,340,799
CASH AND CASH EQUIVALENTS, Beginning of Year	12,564,835	11,224,036
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,768,690	$ 12,564,835

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,849,386	$ 3,905,250
Noncash items in operating income		
Depreciation	4,613,663	4,691,689
Loss on Sale of Asset		
Changes in assets and liabilities		
Receivables from participants	271,973	(75,912)
Receivables from related parties	195,383	(598,505)
Regulatory assets	1,107,986	463,561
Inventory	-	60,976
Prepaid expenses	21,998	(21,065)
Deferred inflow of resources	(1,901,071)	(1,292,720)
Accounts payable and accrued expenses	(342,339)	468,141
Payable to related parties	(92,937)	(44,714)
Accrued license fees	26,781	(21,997)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,750,823	$ 7,534,704

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

Deposits and Investments

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

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

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

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

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

Receivables/Payables

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

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 2019 or 2018.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying value as of December 31, 2019	2018	Risks
Checking/Money Market Funds	$ 15,850,541	$ 15,281,236	Custodial credit
Government Money Market Mutual Fund	1,008,777	1,088,007	Credit, interest rate
Total Cash, Cash Equivalents, and Investments	$ 16,859,318	$ 16,369,243	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2019 and 2018.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5’s deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV5’s investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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
2019	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 1,008,777
2018	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 1,088,007

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, 2019 and 2018, 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:

	2019	2018
Restricted Assets		
Certificate payment fund	$ 1,015,291	$ 1,014,136
Reserve and contingency fund	3,074,029	2,788,988
Bond redemption fund	1,308	1,284
Total restricted assets	$ 4,090,628	$ 3,804,408

NOTE 4 – UTILITY PLANT

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

2019	Beginning Balance	Additions	Retirements	Ending Balance
Electric Plant and Equipment	$ 182,447,358		$ (3,912,945)	$ 178,534,413
Land	431,881			431,881
Total Utility Plant in Service	182,879,239	-	(3,912,945)	178,966,294
Less: Accumulated depreciation	(90,191,850)	(4,613,663)	2,018,638	(92,786,875)
Utility Plant, Net	$ 92,687,389	$ (4,613,663)	$ (1,894,307)	$ 86,179,419

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

NOTE 5 – PREPAID BOND INSURANCE

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

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE

2016 Beneficial Interest Certificates

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

Principal and interest on the 2016 Certificates are payable in monthly installments payable on the first business day of the month thereafter until the final maturity date of June 1, 2023. The 2016 Certificates bear interest at a variable rate, which is 70% of LIBOR plus a 59 basis point spread, and resets on a monthly basis.

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

Annual debt service requirements for the next four years and cumulative requirements thereafter for the 2016 Certificates at December 31, 2019 are as follows:

Maturity date	Principal Amount	Interest Rate
2020	$ 6,150,000	variable
2021	6,345,000	variable
2022	6,450,000	variable
2023	2,020,000	variable
	$ 20,965,000	

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

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

	Investment	Maturity Date	2019	2018
Level 3	Interest rate swap contracts	February 15, 2021	$ 40,198	$ 252,602

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, 2019 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		(18,142,320)	
Total	$	37,982,680	

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, 2019 and 2018, there were no participants unable to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

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

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

	December 31, 2019		December 31,2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 37,982,680	$ 49,082,401	$ 35,966,390	$ 44,115,001

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

2019	Beginning Balance	Additions	Reductions	Ending Balance
2016 Certificates	$ 28,315,000	$ -	$ (7,350,000)	$ 20,965,000
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(20,158,610)	-	2,016,290	(18,142,320)
	$ 64,281,390	$ -	$ (5,333,710)	$ 58,947,680
Asset Retirement Obligation	317,673	-	-	317,673
Accrued License fees	143,734	26,781	-	170,515
Total	$ 64,742,797	$ 26,781	$ (5,333,710)	$ 59,435,868

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

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

Deferred inflow of resources at December 31 is as follows:

	2019	2018
Debt service billed to Participants for Certificates in excess of related expenses	$ 31,489,805	$ 32,094,108
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	9,376,505	10,924,416
Renewable Energy Credits	962,991	369,199
Fair Value of Interest Rate Swap	40,198	252,602
Inventories billed to Participants	-	130,245
Total Deferred Inflow of Resources	$ 41,869,499	$ 43,770,570

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:

	2019	2018
Plant assets	$ 178,534,413	$ 182,447,358
Land	431,881	431,881
Accumulated depreciation	(92,786,875)	(90,191,850)
Subtotal	$ 86,179,419	$ 92,687,389
Related debt:		
2016 beneficial interest certificates	20,965,000	28,315,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount - 2001 beneficial interest certificates	(18,142,320)	(20,158,610)
Subtotal	$ 58,947,680	$ 64,281,390
Total Net Investment in Capital Assets	$ 27,231,739	$ 28,405,999

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

OTHER COMMITMENTS

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

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There were no significant reductions in coverage in 2019.

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2019 and 2018 was $140,598 and $142,306, respectively. OMEGA JV5's payables to AMP as of December 31, 2019 and 2018 were $111,075 and $204,012, 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, 2019 and 2018 amounted to $3,445,305 and $3,996,103, respectively.

- As OMEGA JV5's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was $1,875,950 and $1,874,458 for the years ended December 31, 2019 and 2018, respectively. OMEGA JV5 had a receivable from MESA of $46,852 and $598,475 at December 31, 2019 and December 31, 2018, 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 $9,194 and $13,173 for the years ended December 31, 2019 and 2018, respectively. OMEGA JV5 had payables to OMEA of $729 at December 31, 2019 and 2018.

- OMEGA JV5 sold capacity from back-up generating units to AMP's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was $0 and approximately $11,700 as of December 31, 2019 and 2018, respectively.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $153,185 and $178,808 for these services for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, OMEGA JV5 implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. An entity that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83. These changes were incorporated in the OMEGA JV5 2019 and 2018 financial statements; however, there was no effect on beginning net position nor were any reclassifications necessary.

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2019 and 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

During the year ended December 31, 2019, OMEGA JV6 adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. As a result of the implementation of GASB Statement No. 83, OMEGA JV6 reclassified certain amounts in the December 31, 2018 financial statements (See Note 11). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of OMEGA JV6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV6's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

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, 2019 and 2018. 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:

Assets and Deferred Outflow of Resources	**2019**	**Restated 2018**	**Restated 2017**
Electric plant, net of accumulated depreciation	$ 4,320,455	$ 4,620,164	$ 4,919,873
Regulatory assets	760,647	752,945	699,176
Current assets and Board designated funds	1,280,317	1,566,828	1,819,508
Deferred outflow of resources	181,436	178,882	190,547
Total Assets	$ 6,542,855	$ 7,118,819	$ 7,629,104
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	$ 4,320,455	$ 4,620,164	$ 4,919,873
Net position - unrestricted	238,463	238,463	238,463
Current liabilities	40,104	274,336	69,001
Assets retirement obligation	942,082	931,650	889,546
Deferred inflow of resources	1,001,751	1,054,206	1,512,221
Total Net Position, Liabilities and Deferred Inflow of Resources	$ 6,542,855	$ 7,118,819	$ 7,629,104

2019 vs. 2018

Total assets and deferred outflow of resources were $6,542,855 and $7,118,819 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $575,964. This decrease primarily results from annual depreciation of $299,709 and a decrease in cash and temporary investments of $353,354.

Current assets and board designated funds were $1,280,317 and $1,566,828 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $286,511. This decrease was due to a decrease in cash and temporary investments of $353,354 and a decrease in receivables from participants of $18,400. These decreases are partially offset by increases in board designated funds of $10,432 and receivables from related parties of $72,135.

Non-current assets and deferred outflows, excluding board designated funds were $5,262,538 and $5,551,991 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $289,453. This decrease was due to annual depreciation for the electric plant of $299,709 partially offset by an increase in regulatory assets of $7,702. 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 $6,542,855 and $7,118,819 as of December 31, 2019 and December 31, 2018, respectively, a decrease of $575,964.

Total net position was $4,558,918 and $4,858,627 at December 31, 2019 and December 31, 2018, respectively, a decrease of $299,709. Net investment in capital assets was $4,320,455 and $4,620,164 at December 31, 2019 and December 31, 2018, respectively, a decrease of $299,709. Unrestricted net position was $238,463 at December 31, 2019 and December 31, 2018.

Current liabilities were $40,104 and $274,336 at December 31, 2019 and December 31, 2018, respectively, a decrease of $234,232. This resulted from a decrease in accounts payable and accrued expenses of $229,437 and a decrease in payables to related parties of $4,795.

Non-current liabilities were $942,082 and $931,650 as of December 31, 2019 and December 31, 2018 respectively, an increase of $10,432. This increase was due to the current year accretion expense.

Deferred inflow of resources decreased to $1,001,751 at December 31, 2019 from $1,054,206 at December 31, 2018, a decrease of $52,455. This is a result of revenue collected during the year being less than expenses incurred.

2018 vs. 2017

Total assets and deferred outflow of resources were $7,118,819 and $7,629,104 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $510,285. This decrease primarily results from annual depreciation of $299,709 and a decrease in cash and temporary investments of $383,473.

Current assets and board designated funds were $1,566,828 and $1,819,508 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $252,680. This decrease was due to a decrease in cash and temporary investments of $383,473, and a decrease in receivables from participants of $476. These decreases are partially offset by increases in board designated funds of $93,980, prepaid expenses of $34,018 and receivables from related parties of $3,271.

Non-current assets and deferred outflow of resources, excluding board designated funds were $5,551,991 and $5,809,596 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $257,605. This decrease was due to annual depreciation for the electric plant of $299,709, partially offset by an increase in regulatory assets of $53,769. 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 $7,118,819 and $7,629,104 as of December 31, 2018 and December 31, 2017, respectively, a decrease of $510,285.

Total net position was $4,858,627 and $5,158,336 at December 31, 2018 and December 31, 2017, respectively, a decrease of $299,709. Net investment in capital assets was $4,620,164 and $4,919,873 at December 31, 2018 and December 31, 2017, respectively, a decrease of $299,709. Unrestricted net position was $238,463 at December 31, 2018 and December 31, 2017.

Current liabilities were $274,336 and $69,001 at December 31, 2018 and December 31, 2017, respectively, an increase of $205,335. This resulted from an increase accounts payable and accrued expenses of $205,115 and an increase in payables to related parties of $220.

Non-current liabilities were $931,650 and $889,546 as of December 31, 2018 and December 31, 2017 respectively, an increase of $42,104. This increase was due to the current year accretion expense.

Deferred inflow of resources decreased to $1,054,206 at December 31, 2018 from $1,512,221 at December 31, 2017 a decrease of $458,015. 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:

	2019	Restated 2018	Restated 2017
Operating revenues	$ 311,401	$ 1,006,075	$ 387,709
Operating expenses	684,875	1,372,360	742,905
Operating Loss	(373,474)	(366,285)	(355,196)
Nonoperating revenue			
Investment income	16,186	12,807	4,387
Future recoverable costs	57,579	53,769	51,099
Nonoperating Revenue	73,765	66,576	55,486
Change in Net Position	$ (299,709)	$ (299,709)	$ (299,710)

Operating results

Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP. Electric revenue in 2019 was $311,401 versus $1,006,075 in 2018, which is a decrease of $694,674. The decrease in electric revenue is primarily due to decreases in fixed costs of $598,702, and Capacity sales of $95,972. 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 2018 was $1,006,075 versus $387,709 in 2017, which is an increase of $618,366. The increase in electric revenue is primarily due to increases in fixed costs of $549,159, and Capacity sales of $69,207. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating expenses in 2019 were $684,875 versus $1,372,360 in 2018, which is a decrease of $687,485. The decrease in operating expenses in 2019 is due mainly to decreases in scheduled maintenance expense of $703,085, related party services expense of $6,100 and insurance expense of $2,861 offset by increases in professional services expense of $9,734 and capacity expense of $22,917.

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

Investment income in 2019 was $16,186 versus $12,807 in 2018, an increase of $3,379. Investment income in 2018 was $12,807 versus $4,387 in 2017, an increase of $8,420. 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, 2019 and 2018

	2019	Restated 2018
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and temporary investments	$ 193,799	$ 547,153
Receivables from participants	22,240	40,640
Receivables from related parties	75,406	3,271
Prepaid expenses	46,790	44,114
Total Current Assets	338,235	635,178
NONCURRENT ASSETS		
Regulatory assets	760,647	752,945
Board designated funds	942,082	931,650
Electric Plant		
Electric plant	8,991,262	8,991,262
Accumulated depreciation	(4,670,807)	(4,371,098)
Net Electric Plant	4,320,455	4,620,164
Total Non-Current Assets	6,023,184	6,304,759
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow from asset retirement obligation	181,436	178,882
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 6,542,855	$ 7,118,819

	2019	Restated 2018
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 37,848	$ 267,285
Payable to related parties	2,256	7,051
Total Current Liabilities	40,104	274,336
NONCURRENT LIABILITIES		
Regulatory liabilities		
Asset retirement obligation	942,082	931,650
Total Noncurrent Liabilities	942,082	931,650
Total Liabilities	982,186	1,205,986
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	1,001,751	1,054,206
NET POSITION		
Net investment in capital assets	4,320,455	4,620,164
Unrestricted	238,463	238,463
Total Net Position	4,558,918	4,858,627
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 6,542,855	$ 7,118,819

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, 2019 and 2018

	2019	Restated 2018
OPERATING REVENUES		
Electric revenue	$ 311,401	$ 1,006,075
OPERATING EXPENSES		
Related party services	43,524	49,624
Capacity	51,392	28,475
Depreciation	299,709	299,709
Accretion of asset retirement obligation	45,934	42,104
Maintenance	161,893	864,978
Insurance	23,870	26,731
Professional services	32,336	22,602
Other operating expenses	26,217	38,137
Total Operating Expenses	684,875	1,372,360
Operating Loss	(373,474)	(366,285)
NONOPERATING REVENUES		
Investment income	16,186	12,807
Future recoverable costs	57,579	53,769
Total Non-Operating Revenues	73,765	66,576
Change in net position	(299,709)	(299,709)
NET POSITION, Beginning of Year	4,858,627	5,158,336
NET POSITION, END OF YEAR	$ 4,558,918	$ 4,858,627

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 255,088	$ 545,265
Cash paid to related parties for personnel services	(48,319)	(49,404)
Cash payments to suppliers and related parties for goods and services	(565,877)	(798,161)
Net Cash Used in Operating Activities	(359,108)	(302,300)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	16,186	12,807
Net Cash Provided by Financing Activities	16,186	12,807
Net Change in Cash and Cash Equivalents	(342,922)	(289,493)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,478,803	1,768,296
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,135,881	$ 1,478,803

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	Restated 2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (373,474)	$ (366,285)
Depreciation	299,709	299,709
Accretion of asset retirement obligation	45,934	42,104
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	18,400	476
Receivables from related parties	(72,135)	(3,271)
Prepaid expenses	(2,676)	(34,018)
Deferred outflow from asset retirement obligation	11,821	11,665
Accounts payable and accrued expenses	(229,437)	205,115
Payable to related parties	(4,795)	220
Deferred inflow of resources	(52,455)	(458,015)
NET CASH USED IN OPERATING ACTIVITIES	$ (359,108)	$ (302,300)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 193,799	$ 547,153
Board designated funds	942,082	931,650
Total Cash Accounts	1,135,881	1,478,803
TOTAL CASH AND CASH EQUIVALENTS	$ 1,135,881	$ 1,478,803
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in deferred outflow due to change in estimated asset retirement obligation	$ 14,375	$ -

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:

	2019	2018
Future expenses related to asset retirement obligations	$ 760,647	$ 752,945

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:

	2019	2018
Future expenses related to Fixed O&M	$ 1,001,751	$ 1,054,206

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.

	2019	2018	Risks
Checking	$1,135,881	$1,478,803	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2019 and 2018.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 had custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2019 and 2018, 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:

	2019		
	Beginning Balance	Additions	Ending Balance
Electric plant	$ 8,991,262	$ -	$ 8,991,262
Less: Accumulated depreciation	(4,371,098)	(299,709)	(4,670,807)
Electric Plant, Net	$ 4,620,164	$ (299,709)	$ 4,320,455

	2018 (restated)		
	Beginning Balance	Additions	Ending Balance
Electric plant	$ 8,991,262	$ -	$ 8,991,262
Less: Accumulated depreciation	(4,071,389)	(299,709)	(4,371,098)
Electric Plant, Net	$ 4,919,873	$ (299,709)	$ 4,620,164

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:

	2019			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 931,650	$ 45,934	$ (35,502)	$ 942,082

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

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

NOTE 5 – NET POSITION

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

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

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

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

The following calculation supports the net investment in capital assets:

	2019	2018
Electric plant	$ 8,991,262	$ 8,991,262
Less: Accumulated depreciation	(4,670,807)	(4,371,098)
Total Net Investment in Capital Assets	$ 4,320,455	$ 4,620,164

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – SIGNIFICANT CUSTOMERS

OMEGA JV6 has two participants that comprised 33% of electric service revenue in 2019 and 2018.

NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of $2,939 and of $2,935 for the years ended December 31, 2019 and 2018, respectively, and had a payable of $422 and $2,633 to AMP at December 31, 2019 and 2018, 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 $40,585 and $46,689 for the years ended December 31, 2019 and 2018, respectively. OMEGA JV6 had a payable to MESA for $1,834 and $2,346 at December 31, 2019 and 2018, respectively. OMEGA JV6 had a payable to AMP for $0 and $2,072 at December 31, 2019 and 2018, respectively. OMEGA JV6 has also prepaid some of these expenses for 2020 and as such, has an account receivable from AMP of $75,406 at December 31, 2019.

NOTE 10 – FUTURE LEASE COMMITMENT

On November 14, 2002, AMP entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of $1,000 per wind turbine unit. AMP has assigned this lease to OMEGA JV6. Rent expense from this lease totaled $4,000 during each of the years ended December 31, 2019 and 2018.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, OMEGA JV6 implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. An entity that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83. These changes were incorporated in the OMEGA JV6 2019 and 2018 financial statements. There was no effect on beginning net position, however certain amounts were reclassified in the 2018 financial statements.

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2020, wherein we noted OMEGA JV6 implemented GASB Statement No. 83.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2019 and 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Services Agency as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event Footnote

As discussed in Note 9 to the financial statements, during 2019, the financial impact of COVID-19 and the related impact on the stock market will impact net pension and OPEB liabilities in subsequent periods of Municipal Energy Services Agency. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of MESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MESA's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

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, 2019 and 2018. 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 and liabilities of MESA as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

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

Condensed Statements of Net Position

	2019	2018	2017
Assets			
Cash and short term investments	$ 700,153	$ 1,785,834	$ 1,065,695
Receivables from AMP members	734,314	533,143	926,261
Receivables from related parties	795,894	376,283	1,047,007
Costs/recoveries in excess of member project billings	1,754,433	1,245,343	765,918
Prepaid expenses	3,427	3,427	3,427
Total Current Assets	$ 3,988,221	$ 3,944,030	$ 3,808,308
Deferred Outflows of Resources			
OPEB & Pension	4,959,599	2,877,342	6,418,679
Total Assets and deferred outflows	$ 8,947,820	$ 6,821,372	$ 10,226,987
Liabilities			
Current liabilities	$ 2,329,581	$ 2,194,744	$ 2,154,798
Noncurrent liabilities			
OPEB	7,508,010	7,253,458	7,666,578
Net pension liability	14,755,183	9,558,911	15,659,775
Other long-term amounts	1,658,640	1,749,286	1,653,510
Total Liabilities	$ 26,251,414	$ 20,756,399	$ 27,134,661
Deferred inflow of resources			
OPEB	1,020,966	1,172,689	-
Pension	1,233,000	3,194,771	973,574
	2,253,966	4,367,460	973,574
Net Position			
Unrestricted	(19,557,560)	(18,302,487)	(17,881,248)
Total Net Position, Liabilities, and Deferred Inflow of Resources	$ 8,947,820	$ 6,821,372	$ 10,226,987

2019 vs. 2018

The net pension liability (NPL) is the single largest liability reported by MESA at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal years 2019 and 2018, MESA adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of MESA's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

2. Minus plan assets available to pay these benefits

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

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

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

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

Total assets as of December 31, 2019 and December 31, 2018 were $3,988,221 and $3,944,030, respectively, an increase of $44,191. This was due to increases in receivables of $620,782 and in costs and recoveries in excess of billings from projects constructed by members of $509,090 partially offset by a decrease in cash and short term investments of $1,085,681.

Deferred outflows of resources were $4,959,599 in 2019 as compared to $2,877,342 in 2018, an increase of $2,082,257 that was due to an increase of $2,027,227 relating to Pensions and an increase of $55,030 relating to OPEB.

Total liabilities were $26,251,414 and $20,756,399 as of December 31, 2019 and December 31, 2018, respectively, an increase of $5,495,015. This increase was due to an increase in accounts payable and accrued expenses of $43,645, accrued salaries and related benefits of $23,961, accrued vacation of $67,231, net pension liability of $5,196,272 and OPEB liability of $254,552 partially offset by a decrease in accrued sick leave of $90,646.

Deferred inflows of resources were $2,253,966 and $4,367,460 as of December 31, 2019 and December 31, 2018, respectively. The change in 2019 to 2018 balance represents the change between expected and actual experience for the OPEB and Pension plans.

2018 vs. 2017

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

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

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

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

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

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

	2019	2018	2017
Operating Revenues	$ 15,074,993	$ 14,532,801	$ 16,183,610
Operating Expenses	16,335,721	14,959,533	17,654,969
Operating Loss	(1,260,728)	(426,732)	(1,471,359)
Non-operating revenue			
Investment Income	5,655	5,493	3,409
Change in Net Position	$ (1,255,073)	$ (421,239)	$ (1,467,950)

2019 vs. 2018

Operating revenues in 2019 were $15,074,993 versus $14,532,801 in 2018, an increase of $542,192. 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 $794,058 due to increased activity experienced during the year. Revenue from providing personnel services to related parties decreased by $251,866, due mainly to a decrease in MESA headcount from prior year.

Operating expenses in 2019 were $16,335,721 versus $14,959,533 in 2018, an increase of $1,376,188. This increase was primarily increases in pension expense and in direct project expenses.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2019 was $5,655 versus $5,493 in 2018, an increase of $162.

2018 vs. 2017

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

Operating expenses in 2018 were $14,959,533 versus $17,654,969 in 2017, a decrease of $2,495,436. This decrease was primarily due to the decrease in MESA headcount from fiscal year 2017 and decreases in pension expense and in direct project expenses.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2018 was $5,493 versus $3,409 in 2017, an increase of $2,084.

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

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and short term investments	$ 700,153	$ 1,785,834
Receivables from AMP members	734,314	533,143
Receivables from related parties	795,894	376,283
Costs and recoveries in excess of billings from projects constructed on behalf of members	1,754,433	1,245,343
Prepaid expenses	3,427	3,427
Total Current Assets	3,988,221	3,944,030
DEFERRED OUTFLOW OF RESOURCES		
OPEB	588,808	533,778
Pension	4,370,791	2,343,564
Total Deferred Outflow	4,959,599	2,877,342
TOTAL ASSETS	$ 8,947,820	$ 6,821,372
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 122,226	$ 78,581
Accrued Salaries and related benefits	1,145,916	1,121,955
Accrued Vacation	1,061,439	994,208
Total Current Liabilities	2,329,581	2,194,744
NONCURRENT LIABILITIES		
Accrued Sick Leave	1,658,640	1,749,286
Net OPEB Liability	7,508,010	7,253,458
Net Pension Liability	14,755,183	9,558,911
Total Noncurrent Liabilities	23,921,833	18,561,655
Total Liabilities	26,251,414	20,756,399
DEFERRED INFLOW OF RESOURCES		
OPEB	1,020,966	1,172,689
Pension	1,233,000	3,194,771
Total Deferred Inflow	2,253,966	4,367,460
NET POSITION		
Unrestricted	(19,557,560)	(18,302,487)
Total Net Position	(19,557,560)	(18,302,487)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 8,947,820	$ 6,821,372

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Services	$ 13,815,325	$ 14,067,191
Project revenue	1,259,668	465,610
	15,074,993	14,532,801
OPERATING EXPENSES		
Salaries and related benefits	13,157,128	12,864,187
Professional fees	88,542	91,541
Direct project expenses	2,995,324	1,910,501
Insurance	41,209	41,465
Other operating expenses	53,518	51,839
Total Operating Expenses	16,335,721	14,959,533
Operating Loss	(1,260,728)	(426,732)
NONOPERATING REVENUES		
Investment income	5,655	5,493
Total Non-Operating Revenues	5,655	5,493
Change in net position	(1,255,073)	(421,239)
NET POSITION, Beginning of Year	(18,302,487)	(17,881,248)
NET POSITION, END OF YEAR	$ (19,557,560)	$ (18,302,487)

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP members for services	$ 1,058,497	$ 858,728
Cash received from related parties for services	12,886,624	14,258,491
Cash payments to employees for services	(11,901,509)	(12,728,465)
Cash payments to suppliers and related parties for good and services	(3,134,948)	(1,674,108)
Net Cash (Used in) Provided by Operating Activities	(1,091,336)	714,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	5,655	5,493
Net Cash Provided by Investing Activities	5,655	5,493
Net Change in Cash and Cash Equivalents	(1,085,681)	720,139
CASH AND CASH EQUIVALENTS, Beginning of Year	1,785,834	1,065,695
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 700,153	$ 1,785,834

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (1,260,728)	$ (426,732)
Changes in assets and liabilities		
Receivables from AMP	(201,171)	393,118
Receivables from related parties	(419,611)	670,724
Cost and estimated earnings in excess of billings from projects constructed onbehalf of members	(509,090)	(479,425)
Deferred inflows and outflows, net	(4,195,751)	6,935,223
Accounts payable and accrued expenses	43,645	(545)
Accrued salaries and related benefits	23,961	149,937
Accrued vacation and sick leave	(23,415)	(13,670)
Net pension & OPEB liability	5,450,824	(6,513,984)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (1,091,336)	$ 714,646

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Energy Services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. As of December 31, 2019, 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, 2019.

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, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the pension and OPEB plans and addition to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the

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

pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For MESA, deferred outflows of resources reported for pension and OPEB plans are explained further in Note 5.

In additional to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow until that time. For MESA, deferred inflows of resources are reported for pension and OPEB, explained further in Note 5.

Service Revenue and Expenses

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

Project Revenue and Expenses

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

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

MESA distinguishes operating revenues and expenses from 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:

	2019	2018	Risks
Checking / Money Market Funds	$700,153	$1,785,834	Custodial credit
Total Cash and Cash Equivalents	$700,153	$1,785,834	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for interest and noninterest bearing accounts as of December 31, 2019 and 2018.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2019 and 2018 there were no deposits exposed to custodial credit risk.

Credit Risk

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

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

Interest Rate Risk

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

NOTE 3 – HEALTH INSURANCE

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

Changes in funds' claim liability amount in 2019 and 2018 were:

Year	Beginning Balance	Current year claims and change in Estimate	Claim Payments	Ending Balance
2019	$ 210,736	$ 878,338	$ 932,074	$ 157,000
2018	$ 254,701	$ 1,217,642	$ 1,261,607	$ 210,736

NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the years ended December 31, 2019 and 2018 are as follows:

2019

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	$ 1,749,286	$ 475,985	$ 566,631	$ 1,658,640	$ -
Net OPEB liability	7,253,458	254,552	-	7,508,010	-
Net pension liability	9,558,911	5,196,272	-	14,755,183	-
Total	$ 18,561,655	$ 5,926,809	$ 566,631	$ 23,921,833	$ -

2018

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

NOTE 5 – PENSION BENEFITS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

MESA employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., MESA employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

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 (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of Service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

NOTE 5 – PENSION BENEFITS (CONT.)

FUNDING POLICY

The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10% of salary and the employer contribution rate was 14%. For 2018, member contribution rates were 10% of salary and the employer contribution rate was 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $1,039,074 for 2019 and $1,174,751 for 2018.

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

The net pension liability for OPERS was measured as of December 31, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MESA's proportion of the net pension liability was based on the MESA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	
	2019	2018
Proportionate Share of Net Pension Liability	$ 14,755,183	$ 9,558,911
Proportion of Net Pension Liability	0.054081%	0.061443%
Change in Proportion	-0.007362%	-0.007518%
Pension Expense	$ 2,246,348	$ 1,257,233

NOTE 5 – PENSION BENEFITS (CONT.)

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

Deferred Outflows of Resources	2019	2018
Differences between expected and actual experience	$ 683	$ 9,844
Net difference between projected and actual earnings on pension plan investments	2,022,565	-
Change in assumptions	1,302,042	1,158,969
Change in Entity's proportionate share and difference in employer contributions	6,427	-
Contributions subsequent to the measurement date	1,039,074	1,174,751
Total Deferred Outflows	$ 4,370,791	$ 2,343,564

Deferred Inflows of Resources		
Differences between expected and actual experience	$ (217,602)	$ (213,889)
Net difference between projected and actual earnings on Pension plan investments	-	(2,082,088)
Change in Entity's proportionate share and difference in employer contributions	(1,015,398)	(898,794)
Total Deferred Inflows	$ (1,233,000)	$ (3,194,771)

$1,039,074 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 years ending December 31, 2020. 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
2020	$ 673,808
2021	298,253
2022	187,023
2023	939,309
2024	(675)
Thereafter	999
Total	$ 2,098,717

NOTE 5 – PENSION BENEFITS (CONT.)

ACTUARIAL ASSUMPTIONS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

NOTE 5 – PENSION BENEFITS (CONT.)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 – PENSION BENEFITS (CONT.)

Sensitivity of MESA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents MESA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the MESA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
MESA's proportionate share of the net pension liability	$ 21,862,586	$ 14,755,183	$ 8,853,047

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

Net OPEB Liability

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

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

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

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

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

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

Plan Description—Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Funding Policy—The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum

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

employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0%.

For the years ended December 31, 2019 and 2018, OPERS did not allocate any employer contributions to postemployment health care.

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

The total OPEB liability for OPERS was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The MESA's proportion of the net OPEB liability was based on the MESA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	
	2019	2018
Proportionate Share of Net OPEB Liability	$ 7,508,010	$ 7,253,458
Proportion of Net OPEB Liability	0.0575872%	0.0667951%
Change in Proportion	-0.0092079%	-0.0091090%
OPEB Expense	$ 47,799	$ 338,757

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

At December 31, 2019, MESA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	2019	2018
Differences between expected and actual experience	$ 2,542	$ 5,649
Net difference between projected and actual earnings on OPEB plan investments	344,198	528,129
Change in assumptions	242,068	0
Total Deferred Outflows	$ 588,808	$ 533,778
Deferred Inflows of Resources		
Differences between expected and actual experience	$ (20,372)	$ (540,336)
Change in Entity's proportionate share and difference in employer contributions	(1,000,584)	(632,353)
Total Deferred Inflows	$ (1,020,956)	$ (1,172,689)

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

Year Ending December 31,	OPERS
2020	$ (363,473)
2021	(288,703)
2022	46,622
2023	173,396
	$ (432,158)

Actuarial Assumptions—OPERS

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

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	3.96%
Prior measurement period	3.85%
Investment rate of return	
Current measurement period	6.00%
Prior measurement period	6.50%
Municipal bond rate	
Current measurement period	3.71%
Prior measurement period	3.31%
Health care cost trend rate	
Current measurement period	10.0% initial, 3.25% ultimate in 2029
Prior measurement period	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions

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

are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.6% for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

Sensitivity of the MESA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the MESA's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the MESA's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.96%) or 1.0% point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate of 3.96%	1% Increase (4.96%)
MESA's proportionate share of the net OPEB liability	$ 9,605,277	$ 7,508,010	$5,839,755

Sensitivity of the MESA's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
MESA's proportionate share of the net OPEB liability	$ 7,216,627	$ 7,508,010	$ 7,843,158

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	2019	2018
AMP	$ 12,055,363	$ 12,250,749
Ohio Municipal Electric Generation Agency Joint Venture 1	-	196
Ohio Municipal Electric Generation Agency Joint Venture 2	582,078	622,001
Ohio Municipal Electric Generation Agency Joint Venture 4	1,561	8,473
Ohio Municipal Electric Generation Agency Joint Venture 5	963,483	1,042,454
Ohio Municipal Electric Generation Agency Joint Venture 6	23,211	25,450
Ohio Municipal Electric Association	189,629	117,868
AMP Members	1,259,668	465,610
Total	$ 15,074,993	$ 14,532,801

At December 31, 2019 and 2018, MESA had receivables from affiliates of $795,894 and $376,283 respectively, and receivables from AMP members of $734,314 and $533,143 respectively.

NOTE 9 – SUBSEQUENT EVENT

Subsequent to the date of the financial statements, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. While we don't anticipate a material impact on our operations, there will be a significant impact on the net pension and OPEB liabilities in future years. The extent of the impact cannot be estimated.

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 Six 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%

(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:

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

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

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

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

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

	MESA's Proportion of the Net OPEB Liability	MESA's Proportionate Share of the Net OPEB Liability	MESA's Covered Payroll	MESA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.075904%	$ 7,666,578	$ 9,623,717	79.66%	54.05%
2018	0.066795%	7,253,458	9,488,431	76.45%	54.14%
2019	0.057587%	7,508,010	8,391,079	89.48%	46.33%

(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:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

MUNICIPAL ENERGY SERVICES AGENCY
Required Supplementary Information
Schedule of MESA OPEB Contributions
Ohio Public Employees Retirement System
Last Seven 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	$ 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%

(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.

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2020, wherein we noted the impact of COVID-19 on subsequent periods of MESA.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 4, 2020