# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

## FRANKLIN COUNTY, OHIO

***REGULAR AUDIT***

**FOR THE YEARS ENDED**
**DECEMBER 31, 2023 AND 2022**

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Management
OMEGA JV-2, 4, 5, 6 and MESA
1111 Schrock Rd Ste 100
Columbus, OH 43229-1155

We have reviewed the *Independent Auditor's Report* of the OMEGA JV-2, 4, 5, 6 and MESA, Franklin County, prepared by Rea & Associates, Inc., for the audit period January 1, 2023 through December 31, 2023. 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 03, 2024**

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**Ohio Municipal Electric Generation Agency Joint Venture 2**
**Franklin County, Ohio**
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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 2, Franklin County, Ohio (OMEGA JV2), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OMEGA JV2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 2, Franklin County, Ohio, as of December 31, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 26, 2024 on our consideration of OMEGA JV2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV2's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# 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, 2023 and 2022 with selected comparative information for the year ended December 31, 2021. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV2 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 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

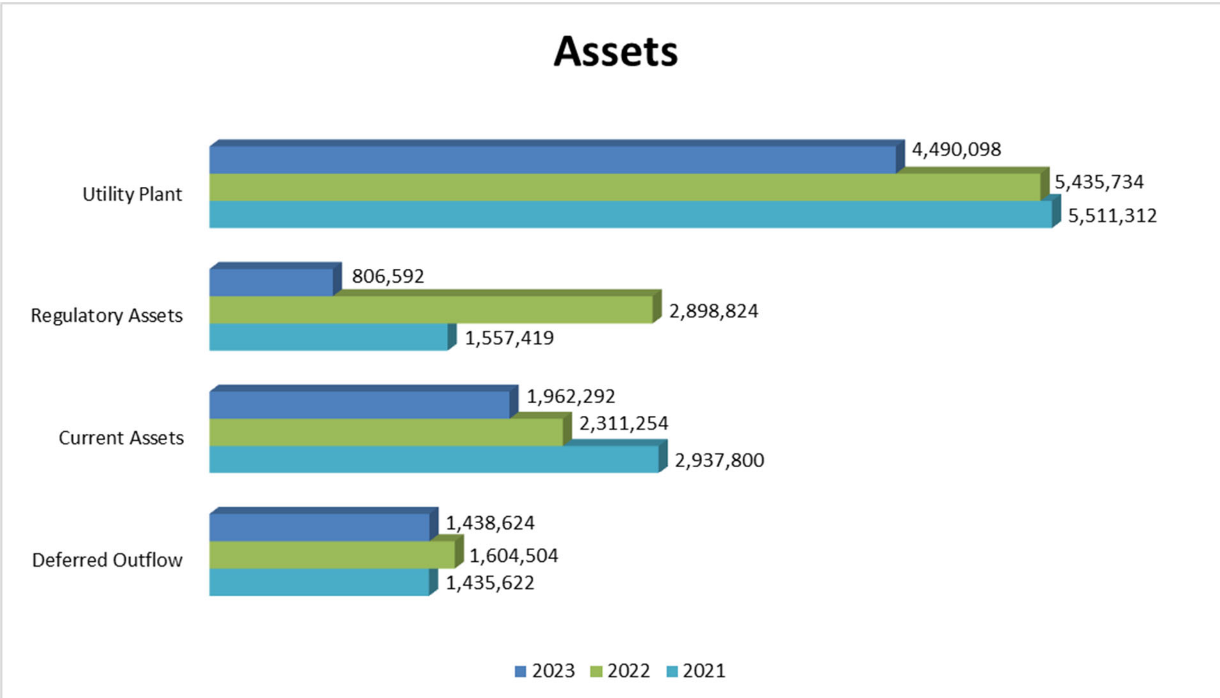
The following table summarizes the financial position of OMEGA JV2 as of December 31:

**Condensed Statements of Net Position**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets and Deferred Outflow of Resources** | | | |
| Electric plant and equpment, net of accumulated depreciation | $ 4,490,098 | $ 5,435,734 | $ 5,511,312 |
| Regulatory assets | 806,592 | 2,898,824 | 1,557,419 |
| Current assets | 1,962,292 | 2,311,254 | 2,937,800 |
| Deferred outflow from resources | 1,438,624 | 1,604,504 | 1,435,622 |
| **Total Assets and Deferred Outflow of Resources** | $ 8,697,606 | $ 12,250,316 | $ 11,442,153 |
| **Net Position, Liabilities, and Deferred Inflow of Resources** | | | |
| Net Position - investment in capital assets | $ 4,490,098 | $ 5,435,734 | $ 5,511,312 |
| Net Position - unrestricted | (6,459,871) | (6,468,196) | (6,036,294) |
| Current liabilities | 834,223 | 1,755,565 | 2,016,079 |
| Noncurrent liabilities | 2,190,558 | 2,018,653 | 1,881,398 |
| Deferred inflow of resources | 7,642,598 | 9,508,560 | 8,069,658 |
| **Total Net Position, Liabilities, and Deferred Inflow of Resources** | $ 8,697,606 | $ 12,250,316 | $ 11,442,153 |

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022
(Unaudited)

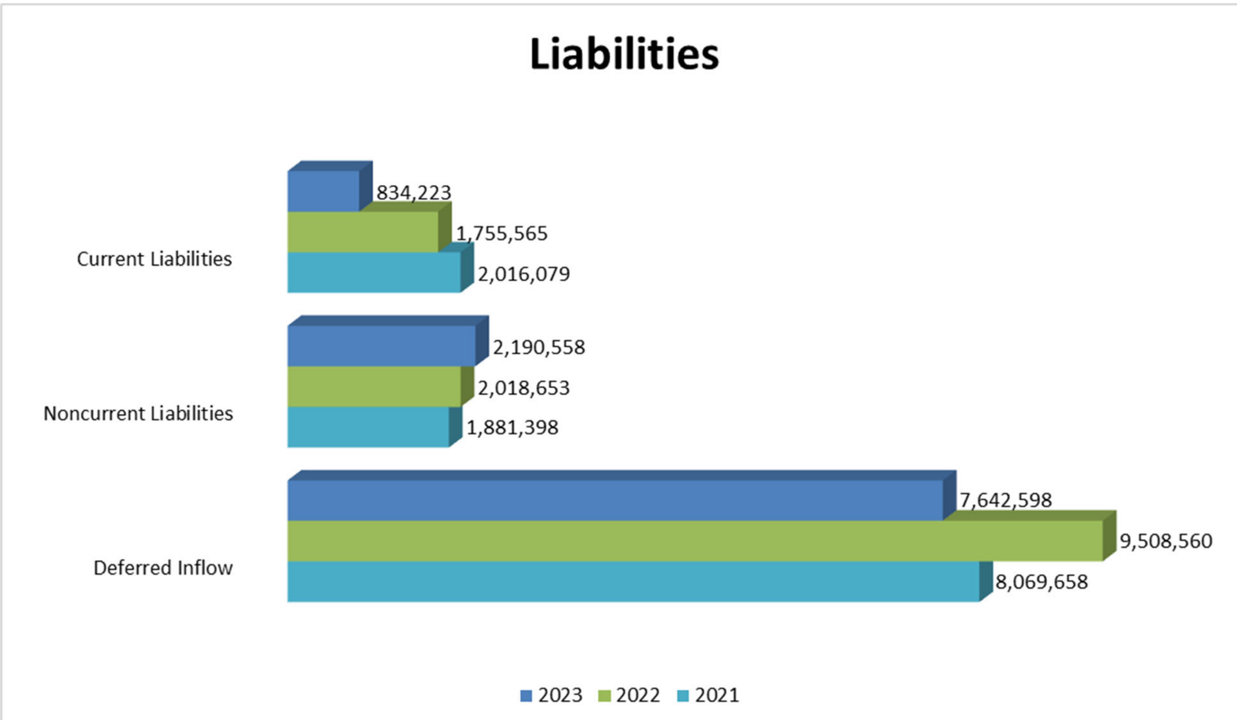



**Utility Plant (capital assets)** decrease of $962,000 in 2023 was caused by annual depreciation. In 2022 this decrease was $76,000, which was the result of yearly depreciation of $521,000 partially offset by net capital additions of $445,000. Additional information on OMEGA JV2's capital assets can be found in Note 3 to the basic financial statements.

**Regulatory Assets** hold deferred operational and maintenance related expenses that are recovered through member billing. In 2023 we recovered $1,100,000 in deferred expenses. Regulatory assets also include deferred revenues from purchased power for members, which consisted of $1,300,000 in December 2022 and was recognized in January 2023.

**Current Assets** had two main drivers in 2023 causing the $349,000 decrease. A cash and temporary investment decrease of $610,000 that was offset by an increase in related party receivable of $158,000. For 2021 to 2022 the change was driven by a decrease in accounts receivable by $1,300,000 partially offset by increased cash of $690,000.

**Deferred Outflows** are costs associated with the Asset Retirement Obligation (ARO). These are estimated values prepared by an independent engineering consultant. These estimates decreased in 2023 by $166,000 and increased in 2022 over 2021 by $169,000.



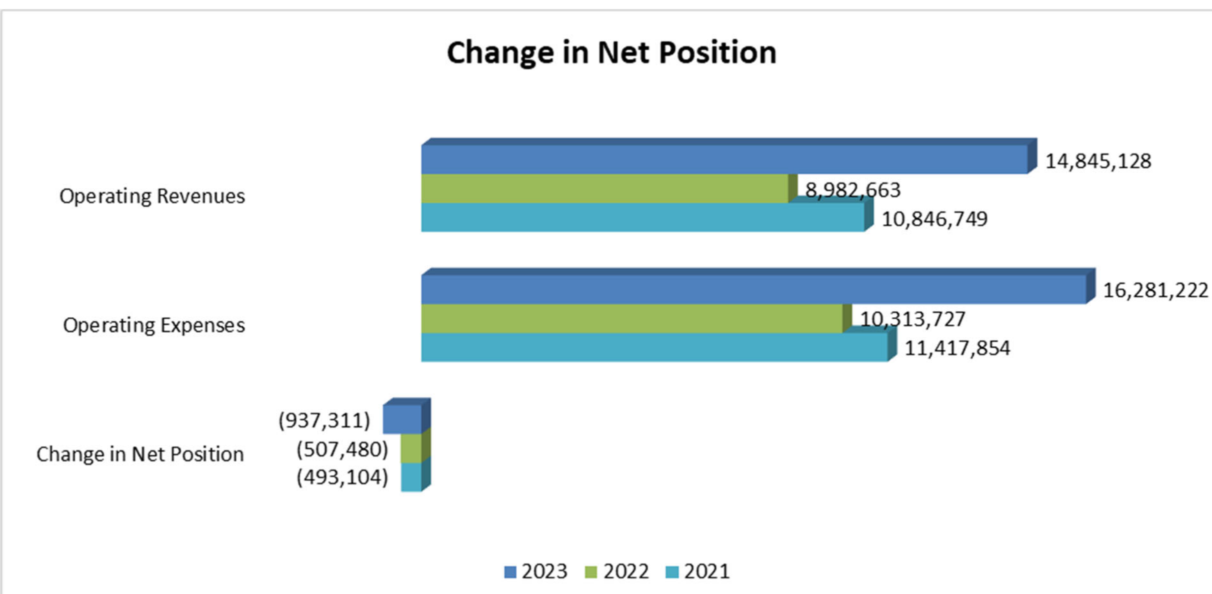

**Current Liabilities** decreased in 2023 by $921,000 due to reduction in accounts payable $808,000 and decreased property taxes $113,000. These liabilities decreased in 2022 by $261,000 due to a decrease in relates party payables of $849,000 partially offset by an increase in vendor accounts payable of $588,000.

**Noncurrent Liabilities** increased each year due to the Asset Retirement Obligation (ARO), which is our monthly ARO accretion expense and changes to estimated values calculated by the independent engineering consultant.

**Deferred Inflow** increased from 2021 to 2022 as a result of overhaul maintenance amounts billed to participants intended to recover future expenses and capital improvements. The decrease of $1,900,000 in 2023 was caused by operational and maintenance expenses being performed.

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 14,845,128 | $ 8,982,663 | $ 10,846,749 |
| Operating Expenses | 16,281,222 | 10,313,727 | 11,417,854 |
| Operating Loss | $ (1,436,094) | $ (1,331,064) | $ (571,105) |
| Non-operating revenues/expenses | | | |
| Investment Income | $ 43,683 | $ 15,693 | $ 212 |
| Other non-operating revenue/expenses | - | 393,742 | (15,123) |
| Future recoverable costs | 455,100 | 414,149 | 92,912 |
| Non-operating revenues/expenses | $ 498,783 | $ 823,584 | $ 78,001 |
| Change in Net Position | $ (937,311) | $ (507,480) | $ (493,104) |



## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022
(Unaudited)

**Operating Results** OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating and capital expenses plus actual fuel expenses. 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.

**Operating Revenues** increased $5,900,000 in 2023, which was directly related to capacity and transmission credits received. The decrease of $1,900,000 in 2022 was caused by decreased fixed demands and decreased capacity rates. Capacity rates are determined by the regional transmission organization (RTO) auction process. Capacity revenue is passed back directly to members as a reduction of their bill and is shown as an expense to the project.

**Operating Expenses** increased $6,000,000 in 2023. This increase is directly related to capacity expenses partially offset by increased operating revenue from capacity credits. In 2022 decreased expenses were caused by lower capacity expense and professional services.

**Changes in Net Position.** Ending net position year to year declined each year of this report due to depreciation expense.

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and temporary investments | $ 1,278,671 | $ 1,889,095 |
| Receivables from participants | - | 605 |
| Receivables from related parties | 158,308 | - |
| Inventory | 298,079 | 232,040 |
| Prepaid expenses | 227,234 | 189,514 |
| Total Current Assets | 1,962,292 | 2,311,254 |
| **NONCURRENT ASSETS** | | |
| Electric Plant and Equipment | | |
| Electric generators | 65,562,718 | 65,562,718 |
| Construction work in progress | 15,979 | - |
| Accumulated depreciation | (61,088,599) | (60,126,984) |
| Net Electric Plant and Equipment | 4,490,098 | 5,435,734 |
| Other Assets | | |
| Regulatory assets | 806,592 | 2,898,824 |
| Total Non-Current Assets | 5,296,690 | 8,334,558 |
| **DEFERRED OUTFLOW OF RESOURCES** | | |
| Deferred outflow from asset retirement obligation | 1,438,624 | 1,604,504 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 8,697,606 | $ 12,250,316 |
| ***LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 833,724 | $ 1,668,065 |
| Payable to related parties | 499 | 87,500 |
| Total Current Liabilities | 834,223 | 1,755,565 |
| **NONCURRENT LIABILITIES** | | |
| Asset retirement obligation | 2,190,558 | 2,018,653 |
| Total Noncurrent Liabilities | 2,190,558 | 2,018,653 |
| Total Liabilities | 3,024,781 | 3,774,218 |
| **DEFERRED INFLOW OF RESOURCES** | | |
| Rates intended to recover future costs | 7,642,598 | 9,508,560 |
| **NET POSITION** | | |
| Investment in capital assets | 4,490,098 | 5,435,734 |
| Unrestricted | (6,459,871) | (6,468,196) |
| Total Net Position | (1,969,773) | (1,032,462) |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | $ 8,697,606 | $ 12,250,316 |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Electric revenue | $ 14,845,128 | $ 8,982,663 |
| **OPERATING EXPENSES** | | |
| Related party services | 1,234,839 | 1,036,558 |
| Capacity | 10,545,304 | 5,419,078 |
| Depreciation | 961,615 | 520,579 |
| Accretion of asset retirement obligation | 430,794 | 414,149 |
| Fuel | 764,136 | 986,138 |
| Maintenance | 934,110 | 639,243 |
| Utilities | 173,049 | 155,955 |
| Insurance | 378,232 | 374,548 |
| Professional services | 367,485 | 376,587 |
| Other operating expenses | 491,658 | 390,892 |
| Total Operating Expenses | 16,281,222 | 10,313,727 |
| Operating Loss | (1,436,094) | (1,331,064) |
| **NON-OPERATING REVENUES / EXPENSES** | | |
| Investment income | 43,683 | 15,693 |
| Interest expense | - | (6,790) |
| Other non-operating income (expenses) | - | 400,532 |
| Future recoverable costs | 455,100 | 414,149 |
| Total Non-Operating Revenues / Expenses | 498,783 | 823,584 |
| **Change in net position** | (937,311) | (507,480) |
| NET POSITION, Beginning of Year | (1,032,462) | (524,982) |
| **NET POSITION, END OF YEAR** | $ (1,969,773) | $ (1,032,462) |

See accompanying notes to financial statements.

## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 2

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from participants | $ 12,821,463 | $ 11,744,649 |
| Cash paid to related parties for personnel services | (1,039,504) | (653,000) |
| Cash payments to suppliers and related parties for goods and services | (12,420,087) | (10,365,841) |
| Net Cash (Used In) / Provided by Operating Activities | (638,128) | 725,808 |
| **CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES** | | |
| Proceeds from insurance claim | - | 400,532 |
| Acquisition of capital assets | (15,979) | (445,002) |
| Interest paid | - | (6,790) |
| Net Cash Used in Capital and Related Investing Activities | (15,979) | (51,260) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income received | 43,683 | 15,693 |
| Net Cash Provided by Investing Activities | 43,683 | 15,693 |
| **Net Change in Cash and Cash Equivalents** | (610,424) | 690,241 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 1,889,095 | 1,198,854 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,278,671 | $ 1,889,095 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating loss | $ (1,436,094) | $ (1,331,064) |
| Depreciation | 961,615 | 520,579 |
| Accretion of asset retirement obligation net of change in ARO estimate | 455,100 | 414,149 |
| Changes in assets, liabilities and deferred inflow of resources | | |
| Receivables from participants | 605 | 1,044,935 |
| Receivables from related parties | (158,308) | 278,149 |
| Inventory | (66,039) | 5,392 |
| Prepaid expenses | (37,720) | (11,689) |
| Deferred outflow from asset retirement obligation | 337,785 | (168,882) |
| Asset retirement obligation | - | 137,255 |
| Accounts payable and accrued expenses | (834,341) | 588,428 |
| Payable to related parties | (87,001) | (848,941) |
| Regulatory assets | 2,092,232 | (1,341,405) |
| Deferred inflow of resources | (1,865,962) | 1,438,902 |
| **NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES** | $ (638,128) | $ 725,808 |

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 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. 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.

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

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

***Regulatory Assets***

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

Regulatory assets consisted of the following at December 31:

| Description | 2023 | 2022 |
|---|---|---|
| Future expenses related to Asset Retirements | $ 776,240 | $ 414,150 |
| Future expenses related to Other | - | 2,402,304 |
| Future expenses related to Debt Service | 30,352 | 82,370 |
| | $ 806,592 | $ 2,898,824 |

***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:

| | 2023 | 2022 |
|---|---|---|
| Future expenses related to overhaul maintenance and fixed O&M | $ 7,642,598 | $ 9,508,560 |

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

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

#### *Net Position*

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

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

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

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

***Net Position*** (cont.)

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

* Represents less than 0.01%

### *REVENUE AND EXPENSES*

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

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

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

## NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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

Carrying Value as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Checking | $ 1,021,215 | $ 1,889,095 |
| Insured Cash Sweep | 257,456 | - |
| | $ 1,278,671 | $ 1,889,095 |

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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:

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions / Transfers | Retirements / Transfers | Ending Balance |
| Electric generators | $ 65,562,718 | $ - | $ - | $ 65,562,718 |
| Construction Work-in-Progress | - | 15,979 | - | 15,979 |
| Less: Accumulated Depreciation | (60,126,984) | (961,615) | - | (61,088,599) |
| Electric Plant and Equipment, Net | $ 5,435,734 | $ (945,636) | $ - | $ 4,490,098 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions / Transfers | Retirements / Transfers | Ending Balance |
| Electric generators | $ 65,034,318 | $ 920,943 | $ (392,543) | $ 65,562,718 |
| Construction Work-in-Progress | 475,941 | - | (475,941) | - |
| Less: Accumulated Depreciation | (59,998,947) | (520,579) | 392,542 | (60,126,984) |
| Electric Plant and Equipment, Net | $ 5,511,312 | $ 400,364 | $ (475,942) | $ 5,435,734 |

**This space is intentionally left blank.**

## NOTE 4 – ASSET RETIREMENT OBLIGATIONS

OMEGA JV2 has an obligation to remove electric generators from the 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:

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning Balance | Revisions To Estimates | Accretion Expense | Ending Balance |
| Asset retirement obligation | $ 2,018,653 | $ (258,889) | $ 430,794 | $ 2,190,558 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Revisions To Estimates | Accretion Expense | Ending Balance |
| Asset retirement obligation | $ 1,881,398 | $ (276,894) | $ 414,149 | $ 2,018,653 |

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

## NOTE 5 – NET POSITION

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

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

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

## NOTE 5 – NET POSITION (cont.)

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

The following calculation supports the investment in capital assets:

| Description | 2023 | 2022 |
|---|---|---|
| Electric Plant, Equipment Assets | $ 65,562,718 | $ 65,562,718 |
| Construction work in progress | 15,979 | - |
| Accumulated Depreciation | (61,088,599) | (60,126,984) |
| Net Investment in Capital Assets | $ 4,490,098 | $ 5,435,734 |

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

### *ENVIRONMENTAL MATTERS*

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

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

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

## NOTE 7 – RISK MANAGEMENT

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

## NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to an Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. In addition, as OMEGA JV2's agent, AMP entered into an agreement with Municipal Energy Services Agency("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The services from MESA are now billed directly to AMP with AMP passing the costs to OMEGA JV2 with no markup. The combined cost of these services for the years ended December 31, 2023 and 2022 was $1,234,839 and $1,036,558, respectively. OMEGA JV2's payables to AMP as of December 31, 2023 and 2022 were $0 and $87,500 respectively. There was no payable to MESA at December 31, 2023 or December 31, 2022. The payable to OMEA as of December 31, 2023 and 2022 were $499 and $0 respectively.

- As OMEGA JV2's agent, AMP also collects payments on behalf of OMEGA JV2 before transferring those funds to OMEGA JV2. As of December 31, 2023 and 2022, OMEGA JV2 had receivables from AMP of $158,308 and $0, respectively.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $173,049 and $155,955 for these services for the years ended December 31, 2023 and 2022, respectively.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2, Franklin County, Ohio (OMEGA JV2), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise OMEGA JV2's basic financial statements, and have issued our report thereon dated April 26, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

## FRANKLIN COUNTY, OHIO

***REGULAR AUDIT***

**FOR THE YEARS ENDED**
**DECEMBER 31, 2023 AND 2022**

Rea & associates

www.reacpa.com

**Ohio Municipal Electric Generation Agency Joint Venture 4**
**Franklin County, Ohio**
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# INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 4, Franklin County, Ohio, (OMEGA JV4), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OMEGA JV4's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 4, Franklin County, Ohio, as of December 31, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 26, 2024 on our consideration of OMEGA JV4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV4's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

(Unaudited)

## Financial Statement Overview

This discussion and analysis provide an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the years ended December 31, 2023 and 2022 with selected comparative information for the year ended December 31, 2021. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

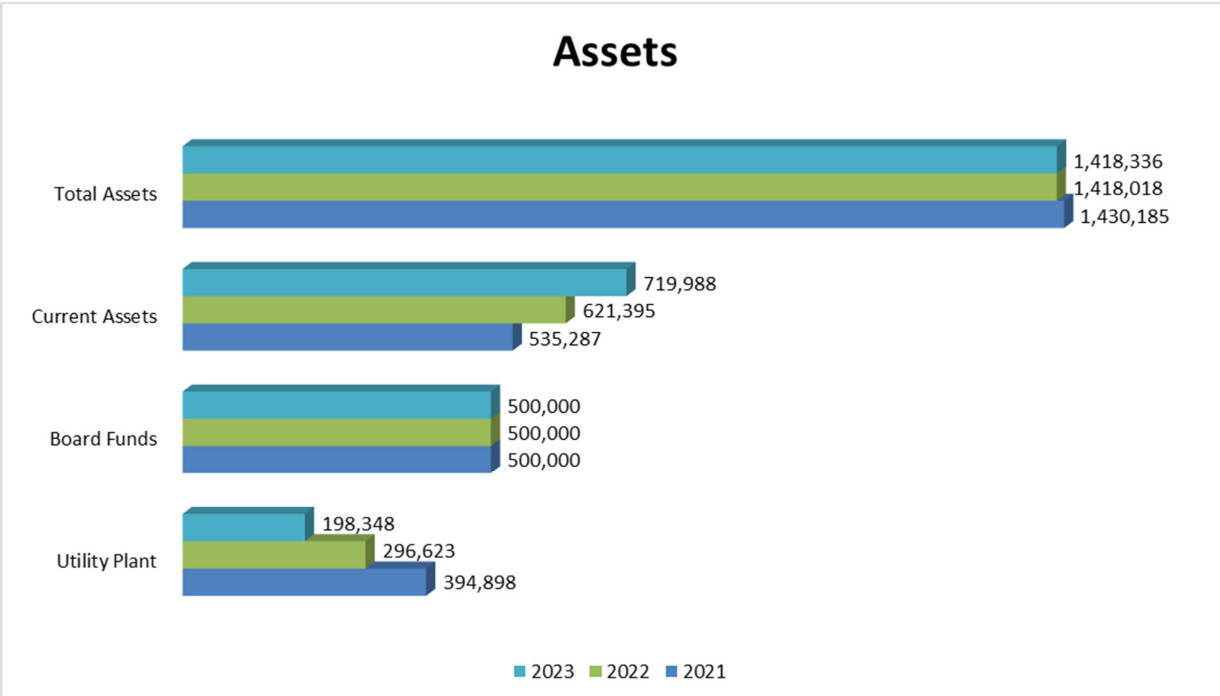
The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV4 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of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

## Financial Highlights

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

**Condensed Statements of Net Position**

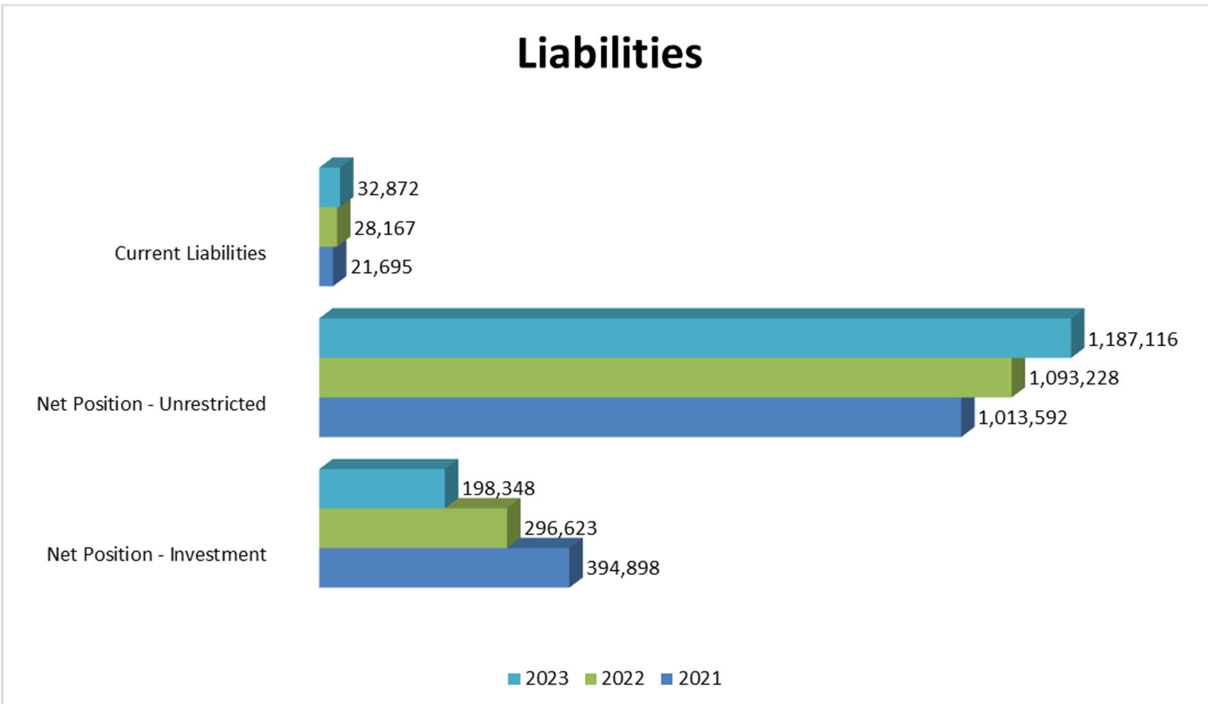
| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Electric plant and equpment, net of accumulated depreciation | $ 198,348 | $ 296,623 | $ 394,898 |
| Board designated funds | 500,000 | 500,000 | 500,000 |
| Current assets | 719,988 | 621,395 | 535,287 |
| **Total Assets** | $ 1,418,336 | $ 1,418,018 | $ 1,430,185 |
| | | | |
| **Net Position and liabilities** | | | |
| Net Position - investment in capital assets | $ 198,348 | $ 296,623 | $ 394,898 |
| Net Position - unrestricted | 1,187,116 | 1,093,228 | 1,013,592 |
| Current liabilities | 32,872 | 28,167 | 21,695 |
| **Total Net Position and liabilities** | $ 1,418,336 | $ 1,418,018 | $ 1,430,185 |




**Utility Plant (capital assets)** represent the transmission lines in the joint venture. Its reduction year-to-year is the annual depreciation of $98,000. These assets will be fully depreciated in 2025. Additional information on OMEGA JV4's capital assets can be found in Note 3 to the basic financial statements.

**Board funds** have not changed year-to-year and are designated for the potential decommissioning of transmission lines.

**Current assets** have an increase year-to-year averaging $92,000. Driving this is an increase in operating cash.




**Net Position – Investment** shows the annual accumulated depreciation of our capital assets. This balance will be zero in 2025 when the assets are fully depreciated.

**Net Position – Unrestricted** has increased from transmission services charged.

**Current Liabilities** represent balances in accounts payable. This fluctuates year-to-year at an immaterial level and carries an average balance of $28k.

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 270,000 | $ 270,000 | $ 270,000 |
| Operating Expenses | 186,410 | 165,363 | 149,190 |
| Operating Income | 83,590 | 104,637 | 120,810 |
| Non-operating revenues/expenses | | | |
| Investment Income | 47,023 | 11,724 | 102 |
| Income before distributions | 130,613 | 116,361 | 120,912 |
| Distributions to participants | $ 135,000 | $ 135,000 | $ 135,000 |
| Change in Net Position | $ (4,387) | $ (18,639) | $ (14,088) |

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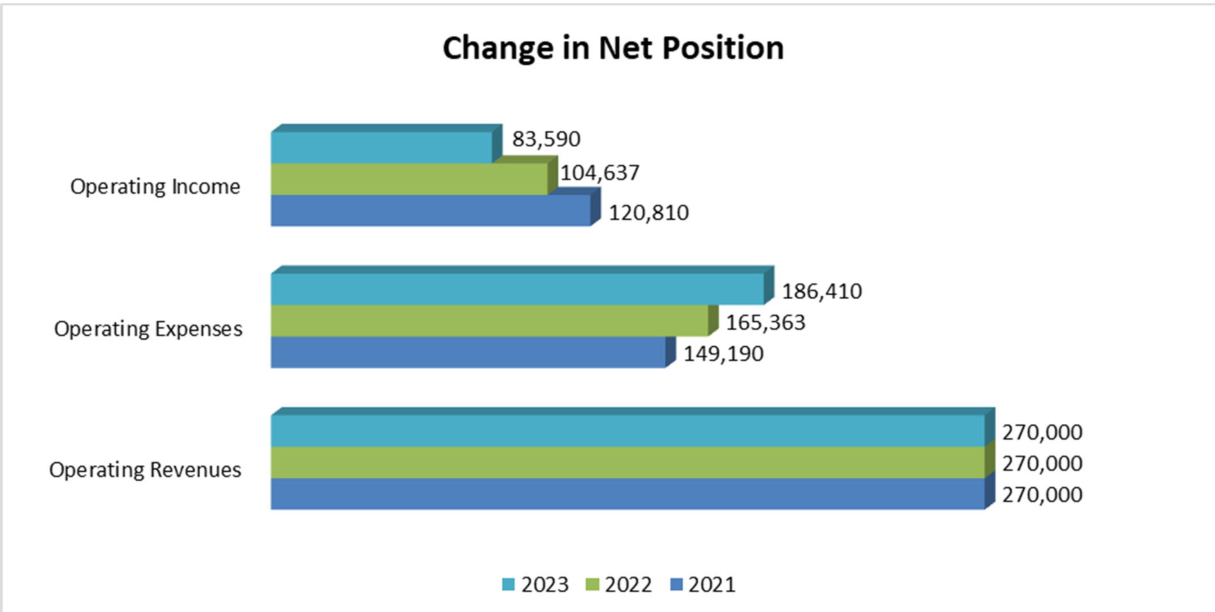


**Operating Revenues** from this joint venture are steady from year-to-year. Revenues are expected to remain at $270k annually during the life of the joint venture.

**Operating Expenses** year-to-year fluctuations are caused by multiple drivers. From 2022 to 2023 the main driver was expenses for right away clearing of $40k and pole repair at Bryan of $5k offset by lower professional services. From 2021 to 2022 the increased expenses were for professional services and related party fees. Operating expenses for the joint venture are consistently below budget in spite of the fluctuations in some expenses.

Because the operating revenues and expenses have been within budget **Operating Income** has been near expectations year-to-year and should continue to be for the remaining life of the joint venture.

**Ending Net Position** year-to-year shows small declines. The driving factor for this is that our distributions to participants are higher than operating income because depreciation is a non-cash expense.

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

(Unaudited)

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**Overall Financial Position Explanation**
With income and expenses in line with budgeted amounts the overall financial position in this joint venture is as expected. All current information indicates that joint venture operating results will continue as expected.

There have been no changes in **Capital Assets (Transmission Lines)** for the reporting periods except for normal depreciation. Joint Venture 4 does not carry any **Long-term Debt.**

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and temporary investments | $ 674,988 | $ 596,064 |
| Receivables from unrelated parties | 45,000 | 25,331 |
| Total Current Assets | 719,988 | 621,395 |
| **NONCURRENT ASSETS** | | |
| Utility Plant | | |
| Transmission line | 2,645,438 | 2,645,438 |
| Accumulated depreciation | (2,447,090) | (2,348,815) |
| Net Utility Plant | 198,348 | 296,623 |
| Other Assets | | |
| Board designated funds | 500,000 | 500,000 |
| Total Non-Current Assets | 698,348 | 796,623 |
| **TOTAL ASSETS** | $ 1,418,336 | $ 1,418,018 |
| ***LIABILITIES AND NET POSITION*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 19,423 | $ 25,200 |
| Payable to related parties | 13,449 | 2,967 |
| Total Current Liabilities | 32,872 | 28,167 |
| **NET POSITION** | | |
| Investment in capital assets | 198,348 | 296,623 |
| Unrestricted | 1,187,116 | 1,093,228 |
| Total Net Position | 1,385,464 | 1,389,851 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 1,418,336 | $ 1,418,018 |

## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 4

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Transmission revenue | $ 270,000 | $ 270,000 |
| **OPERATING EXPENSES** | | |
| Related party services | 29,951 | 35,460 |
| Depreciation | 98,275 | 98,275 |
| Maintenance | 4,798 | - |
| Professional services | 53,386 | 31,628 |
| Total Operating Expenses | 186,410 | 165,363 |
| Operating Income | 83,590 | 104,637 |
| **NONOPERATING REVENUES/EXPENSES** | | |
| Investment income | 47,023 | 11,724 |
| Total Non-Operating Revenues/Expenses | 47,023 | 11,724 |
| Income before distributions | 130,613 | 116,361 |
| **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** | (4,387) | (18,639) |
| NET POSITION, Beginning of Year | 1,389,851 | 1,408,490 |
| **NET POSITION, END OF YEAR** | $ 1,385,464 | $ 1,389,851 |

See accompanying notes to financial statements.

## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 4

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from participants | $ 270,000 | $ 270,000 |
| Cash paid to related parties for personnel services | (19,027) | (34,238) |
| Cash payments to suppliers and related parties for goods and services | (84,072) | (29,209) |
| Net Cash Provided by Operating Activities | 166,901 | 206,553 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| Distributions to participants | (135,000) | (135,000) |
| Net Cash Used in Non-Capital Financing Activities | (135,000) | (135,000) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income received | 47,023 | 11,724 |
| Net Cash Provided by Investing Activities | 47,023 | 11,724 |
| **Net Change in Cash and Cash Equivalents** | 78,924 | 83,277 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 1,096,064 | 1,012,787 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,174,988 | $ 1,096,064 |

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Operating Income | $ 83,590 | $ 104,637 |
| Depreciation | 98,275 | 98,275 |
| Changes in assets and liabilities | | |
| Receivables | (19,669) | (2,831) |
| Accrued expenses | (5,777) | 5,250 |
| Payable to related parties | 10,482 | 1,222 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 166,901 | $ 206,553 |

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 | % |

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## 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 a single customer 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:

| | 2023 | 2022 |
|---|---|---|
| Checking | $ 147,839 | $ 1,096,064 |
| Insured Cash Sweep | 1,027,149 | - |
| | $ 1,174,988 | $ 1,096,064 |

### *Custodial Credit Risk*

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2023, and 2022, 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, 2023, and 2022, 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, 2023, and 2022, 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:

| | 2023 Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Transmission lines | $ 2,645,438 | $ - | $ - | $ 2,645,438 |
| Less: Accumulated Depreciation | (2,348,815) | (98,275) | - | (2,447,090) |
| Utility Plant, Net | $ 296,623 | $ (98,275) | $ - | $ 198,348 |

| | 2022 Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Transmission lines | $ 2,645,438 | $ - | $ - | $ 2,645,438 |
| Less: Accumulated Depreciation | (2,250,540) | (98,275) | - | (2,348,815) |
| Utility Plant, Net | $ 394,898 | $ (98,275) | $ - | $ 296,623 |

## NOTE 4 – NET POSITION

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

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

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

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

The following calculation supports the investment in capital assets:

| Description | 2023 | 2022 |
|---|---|---|
| Plant in service | $ 2,645,438 | $ 2,645,438 |
| Accumulated Depreciation | (2,447,090) | (2,348,815) |
| Total Investment in Capital Assets | $ 198,348 | $ 296,623 |

## 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 2023 and 2022 was 100% derived from a non-participant. The contract with the nonparticipant can be cancelled on or after October 31, 2009 upon written notice six months prior to cancellation. As of December 31, 2023, 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 $29,951 and $35,460 for the years ended December 31, 2023 and 2022, respectively. OMEGA JV4 did not have a payable to MESA at either December 31, 2023 and 2022. OMEGA JV4 had a payable to AMP of $13,449 and $2,967 at December 31, 2023 and 2022, respectively.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4, Franklin County, Ohio (OMEGA JV4), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise OMEGA JV4's basic financial statements, and have issued our report thereon dated April 26, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

## FRANKLIN COUNTY, OHIO

***REGULAR AUDIT***

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Rea & associates

www.reacpa.com

**Ohio Municipal Electric Generation Agency Joint Venture 5**
**Franklin County, Ohio**
*Table of Contents*
*December 31, 2023 and 2022*

Rea & associates a brighter way

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 5, Franklin County, Ohio, (OMEGA JV5), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OMEGA JV5's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 5, Franklin County, Ohio, as of December 31, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 26, 2024 on our consideration of OMEGA JV5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV5's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV5's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022
(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, 2023 and 2022 with selected comparative information for the year ended December 31, 2021. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

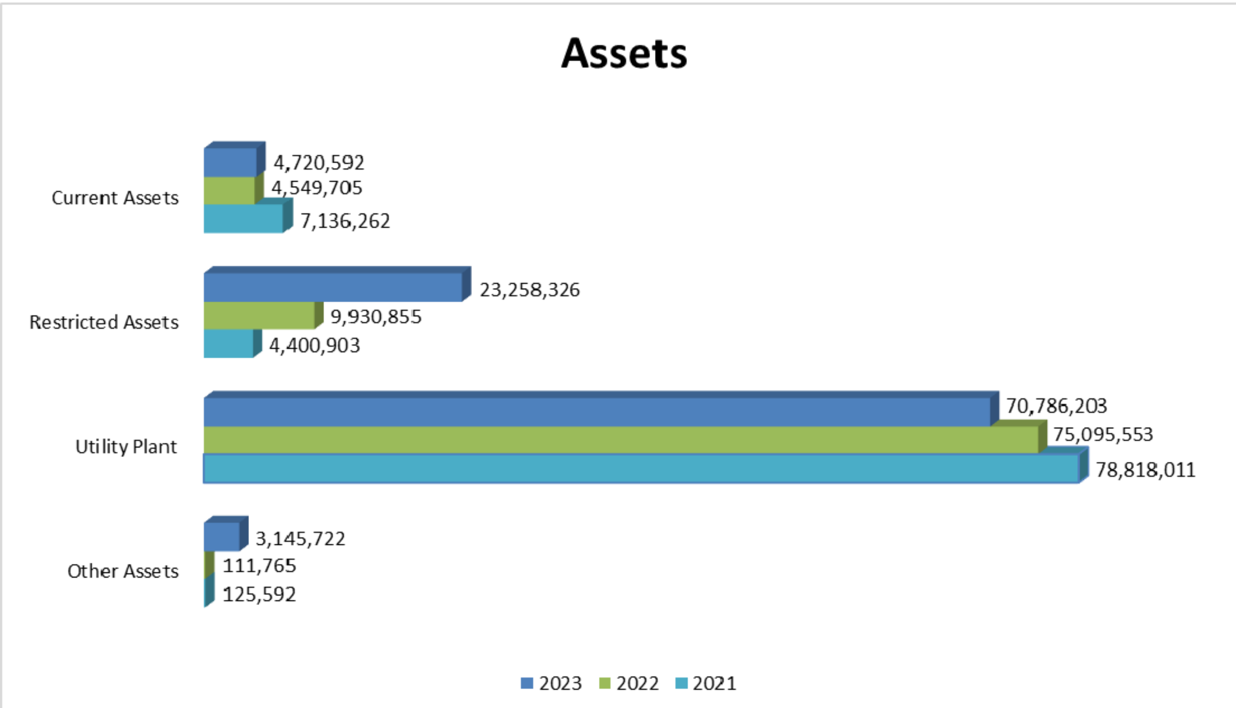
OMEGA JV5 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV5's basic financial statements include the statement of net position; the statement of revenues, expenses and changes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

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

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

**Condensed Statements of Net Position**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 4,720,592 | $ 4,549,705 | $ 7,136,262 |
| Restricted assets - noncurrent | 23,258,326 | 9,930,855 | 4,400,903 |
| Electric plant and land | 70,786,203 | 75,095,553 | 78,818,011 |
| Other assets | 3,145,722 | 111,765 | 125,592 |
| **Total Assets** | $ 101,910,843 | $ 89,687,878 | $ 90,480,768 |
| **Net Position, Liabilities, and Deferred Inflow of Resources** | | | |
| Net investment in capital assets | $ 23,542,589 | $ 30,359,979 | $ 36,457,270 |
| Net Position - restricted | 23,258,326 | 9,930,855 | 4,400,903 |
| Net Position - unrestricted | (43,813,028) | (37,302,947) | (37,870,286) |
| Net beneficial interest certificates | 47,243,614 | 44,735,574 | 42,360,741 |
| Current liabilities | 5,775,533 | 5,597,890 | 3,414,126 |
| Other noncurrent liabilities | 317,673 | 317,673 | 317,673 |
| Deferred inflow of resources | 45,586,136 | 36,048,854 | 41,400,341 |
| **Total Net Position, Liabilities, and Deferred Inflow of Resources** | $ 101,910,843 | $ 89,687,878 | $ 90,480,768 |

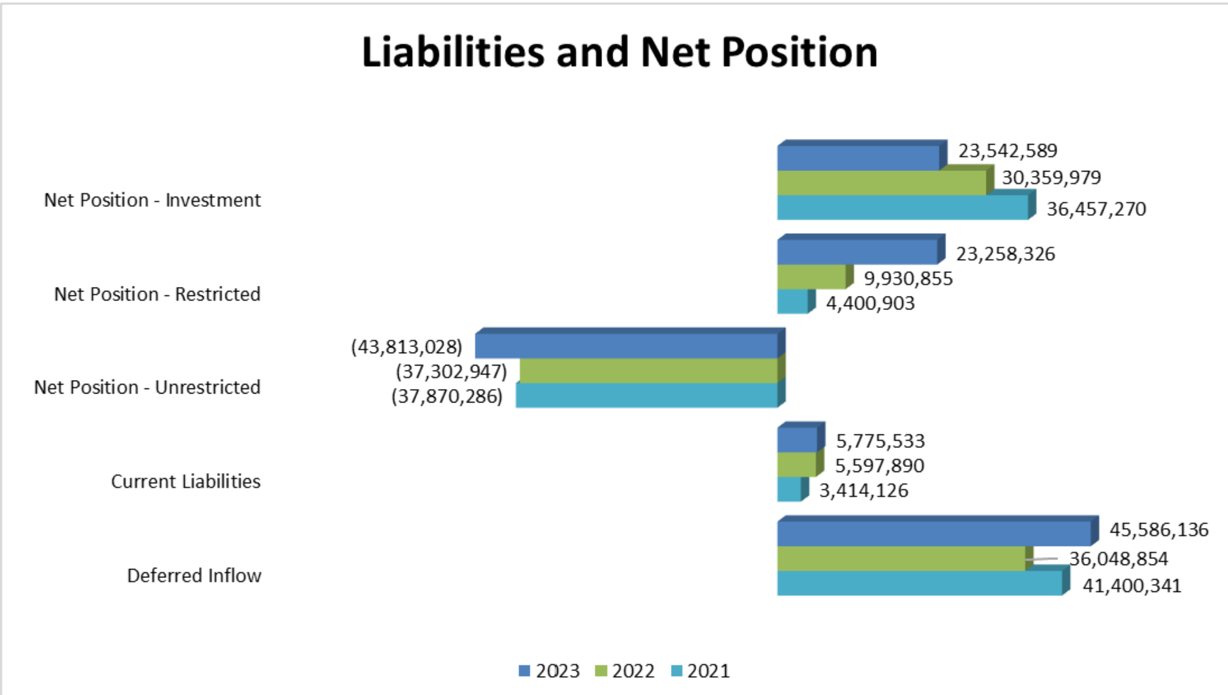



**Current Assets** increased in 2023 by $170,000 due to small increases of cash and prepaid insurance with a slight decrease in receivables. The larger change from 2021 to 2022 is related to temporary investments decreasing by $2,500,000.

**Restricted Assets** The biggest driver is the collection of funds for bond retirement starting in 2025. Billing is used to be applied to bonds that mature in 2025, see note 7.

**Utility Plant (capital assets)** steady decrease from 2021 to 2023 is driven by the annual depreciation of assets. Additional information on OMEGA JV5's capital assets can be found in Note 4 to the basic financial statements.

**Other Assets** increased from 2022 to 2023 due netting regulatory assets and liabilities related to operation and maintenance costs. The 2021 to 2022 change of $14,000 was caused the amortization of prepaid bond insurance.




**Net Position – Investment** annual change represents the small increase in plant assets less depreciation and the amortization of the 2001 bond discount.

**Net Position – Restricted** increased due to the collection of funds for bond retirement starting in 2025. Billing has remained constant since the maturity of 2021 bonds to apply to bonds that mature in 2025, see note 7.

**Net Position – Unrestricted** decreased to reflect the stability of the overall net position while reflecting the changes in investment in capital assets and restricted net position.

**Current Liabilities** showed a minimal increase from 2022 to 2023 of $177,000 caused by increased accounts payable and accrued expenses of $1,600,000 and decreased related party payable of $1,400,000. The 2023 change resulted from a paydown of the related party payables.

**Deferred Inflow** represents the advance collection in rates for debt service payments to begin in 2025, see note 7.

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 27,496,203 | $ 21,621,972 | $ 19,322,567 |
| Operating Expenses | 25,496,676 | 18,985,594 | 16,906,409 |
| Operating Income | 1,999,527 | 2,636,378 | 2,416,158 |
| Non-operating revenues/expenses | | | |
| Investment Income (Loss) | 748,292 | (225,561) | 140,656 |
| Interest Expense | (2,733,992) | (2,396,990) | (2,542,987) |
| Amortization | (13,827) | (13,827) | (13,827) |
| Total net Non-operating expenses | (1,999,527) | (2,636,378) | (2,416,158) |
| Change in Net Position | $ - | $ - | $ - |

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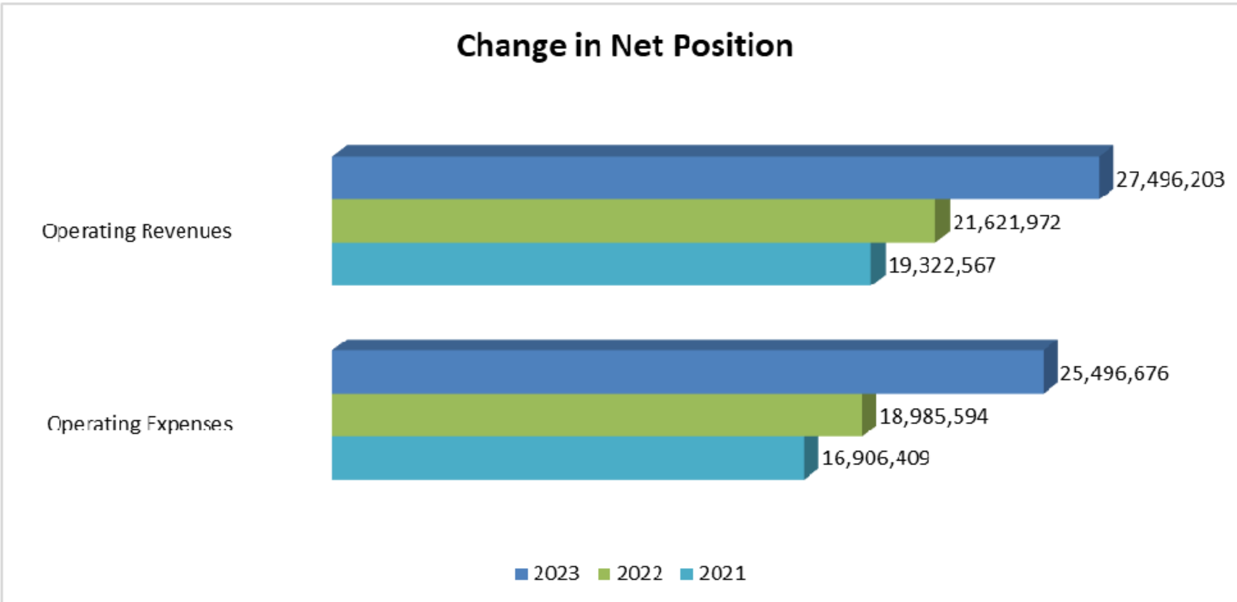


**Operating Revenue** is earned through electric rates, which are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses and debt service. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense. Changes in revenue are expected and increase over time.

**Operating Expenses** have increased $6,500,000 from 2022 to 2023. There are minimal fluctuations with the main driver being Renewable Energy Credits (REC) expense. These credits are giving to participants on monthly invoicing for RECs earned in the year. The increase from 2021 to 2022 was the result of higher purchased power.

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and temporary investments | $ 2,645,542 | $ 2,232,814 |
| Receivables from participants | 1,647,530 | 1,985,360 |
| Receivables from related parties | - | 133,784 |
| Accrued Interest Receivable | 148,050 | 69,182 |
| Prepaid expenses | 279,470 | 128,565 |
| Total Current Assets | 4,720,592 | 4,549,705 |
| **NONCURRENT ASSETS** | | |
| Restricted Assets | | |
| Restricted Assets - funds held by trustee | 23,258,326 | 9,930,855 |
| Electric Plant and Land | | |
| Electric plant in service | 180,834,439 | 180,153,992 |
| Construction work in progress | 294,729 | 785,452 |
| Land | 431,881 | 431,881 |
| Accumulated depreciation | (110,774,846) | (106,275,772) |
| Net Electric Plant and Equipment | 70,786,203 | 75,095,553 |
| Other Assets | | |
| Prepaid bond insurance / Unamortized COI, net | 97,939 | 111,765 |
| Regulatory assets | 3,047,783 | - |
| Total Non-Current Assets | 97,190,251 | 85,138,173 |
| **TOTAL ASSETS** | $ 101,910,843 | $ 89,687,878 |
| ***LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 2,242,895 | $ 1,096,716 |
| Payable to related parties | 3,532,638 | 4,501,174 |
| Total Current Liabilities | 5,775,533 | 5,597,890 |
| **NONCURRENT LIABILITIES** | | |
| 2001 beneficial interest certificates | 56,125,000 | 56,125,000 |
| Unamortized discount | (8,881,386) | (11,389,426) |
| Asset retirement obligation | 317,673 | 317,673 |
| Total Noncurrent Liabilities | 47,561,287 | 45,053,247 |
| Total Liabilities | 53,336,820 | 50,651,137 |
| **DEFERRED INFLOW OF RESOURCES** | | |
| Rates intended to recover future costs | 45,586,136 | 36,048,854 |
| **NET POSITION** | | |
| Net investment in capital assets | 23,542,589 | 30,359,979 |
| Restricted | 23,258,326 | 9,930,855 |
| Unrestricted | (43,813,028) | (37,302,947) |
| Total Net Position | 2,987,887 | 2,987,887 |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | $ 101,910,843 | $ 89,687,878 |

## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 5

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Electric revenue | $ 27,496,203 | $ 21,621,972 |
| **OPERATING EXPENSES** | | |
| Purchased power | 4,912,396 | 3,499,464 |
| Capacity | 5,050,764 | 6,191,631 |
| Related party services | 913,470 | 727,620 |
| Depreciation | 4,505,585 | 4,503,210 |
| Maintenance | 1,401,869 | 960,214 |
| Utilities | 196,085 | 166,743 |
| Insurance | 386,647 | 338,375 |
| Professional services | 57,204 | 37,214 |
| Payment in lieu of taxes | 1,679,950 | 840,000 |
| Other operating expenses | 6,392,706 | 1,721,123 |
| Total Operating Expenses | 25,496,676 | 18,985,594 |
| Net Operating Income | 1,999,527 | 2,636,378 |
| **NONOPERATING REVENUES/EXPENSES** | | |
| Investment income (loss) | 748,292 | (225,561) |
| Interest expense | (2,733,992) | (2,396,990) |
| Amortization of insurance | (13,827) | (13,827) |
| Total Non-Operating Revenues/Expenses | (1,999,527) | (2,636,378) |
| **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 |

## OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
## JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from participants | $ 37,371,315 | $ 16,199,408 |
| Cash paid to related parties for personnel services | (1,161,631) | (1,211,773) |
| Cash payments to suppliers and related parties for goods and services | (22,716,721) | (11,217,785) |
| Net Cash provided by Operating Activities | 13,492,963 | 3,769,850 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Interest payments on debt issuance | (225,952) | (22,203) |
| Acquisition of capital assets | (196,236) | (780,752) |
| Net Cash used in Financing Activities | (422,188) | (802,955) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investments purchased | (13,327,471) | (5,529,952) |
| Investment income received | 669,424 | (230,984) |
| Net Cash used in Investing Activities | (12,658,047) | (5,760,936) |
| **Net Change in Cash and Cash Equivalents** | 412,728 | (2,794,041) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 2,232,814 | 5,026,855 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 2,645,542 | $ 2,232,814 |

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Operating income | $ 1,999,527 | $ 2,636,378 |
| Depreciation | 4,505,585 | 4,503,210 |
| Changes in assets, liabilities and deferred inflow of resources | | |
| Receivables from participants | 337,830 | (71,077) |
| Receivables from related parties | 133,784 | (108,053) |
| Prepaid expenses | (150,905) | (22,931) |
| Accounts payable and accrued expenses | 1,146,179 | (186,148) |
| Payable to related parties | (968,536) | 2,369,958 |
| Regulatory assets | (3,047,783) | - |
| Deferred inflow of resources | 9,537,282 | (5,351,487) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 13,492,963 | $ 3,769,850 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION*

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

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

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

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

#### *Deposits and Investments*

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

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

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

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

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

#### *Receivables/Payables*

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

#### *Restricted Assets*

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

#### *Prepaid Expenses*

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

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

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

***OMEGA JV5 Plant***

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

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

***Asset Retirement Obligations***

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded a deferred outflow is created. Over time, the liability is accreted to its present value each period, and the deferred outflow is expensed 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 2023 or 2022.

## NOTE 2 – CASH AND TEMPORARY INVESTMENTS

| | Carrying value as of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Checking/Money Market | $ 2,653,114 | $ 2,912,227 |
| Government Money Market Mutual Fund | 4,224,231 | 4,077,455 |
| Insured Cash Sweep | 19,026,522 | 5,173,987 |
| Total Cash and temporary investments and funds held by trustee | $ 25,903,868 | $ 12,163,669 |

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2023 and 2022. Deposits in the insured cash sweep account are fully insured.

### *Custodial Credit Risk*

#### Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5's deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 |
|---|---|---|---|---|---|
| 2023 | Level 1 | Government Money Market Mutual Fund | n/a | n/a | $ 1,109,171 |
| 2022 | Level 1 | Government Money Market Mutual Fund | n/a | n/a | $ 1,090,167 |

## 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, 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| Restricted Assets | | |
| Certificate payment fund | $ 12,990,647 | $ 6,943,567 |
| Reserve and contingency fund | 3,113,674 | 2,985,963 |
| Accretion bond fund | 7,152,619 | - |
| Bond redemption fund | 1,386 | 1,325 |
| Total restricted assets | $ 23,258,326 | $ 9,930,855 |

## NOTE 4 – UTILITY PLANT

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

| 2023 | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Electric Plant and Equipment | $180,153,992 | $ - | $ 686,958 | $ (6,511) | $180,834,439 |
| Construction work in progress | 785,452 | 196,235 | (686,958) | - | 294,729 |
| Land | 431,881 | - | - | - | 431,881 |
| Total Utility Plant in Service | 181,371,325 | 196,235 | - | (6,511) | 181,561,049 |
| Less: Accumulated depreciation | (106,275,772) | (4,505,585) | | 6,511 | (110,774,846) |
| Utility Plant, Net | $ 75,095,553 | $(4,309,350) | $ - | $ - | $ 70,786,203 |

| 2022 | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Electric Plant and Equipment | $179,293,299 | $ 780,752 | $ 79,941 | $ - | 180,153,992 |
| Construction work in progress | 865,393 | - | (79,941) | - | 785,452 |
| Land | 431,881 | - | - | - | 431,881 |
| Total Utility Plant in Service | 180,590,573 | 780,752 | - | - | 181,371,325 |
| Less: Accumulated depreciation | (101,772,562) | (4,503,210) | - | - | (106,275,772) |
| Utility Plant, Net | $ 78,818,011 | $(3,722,458) | $ - | $ - | $ 75,095,553 |

## 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

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

***2001 Beneficial Interest Certificates***

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

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2023 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 | (8,881,386) | |
| Total | $ 47,243,614 | |

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

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”).

**This space is intentionally left blank.**

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

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

| 2023 | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| 2001 Certificates | 56,125,000 | - | - | 56,125,000 |
| Less: Unamortized discount | (11,389,426) | - | 2,508,040 | (8,881,386) |
| | $ 44,735,574 | $ - | $ 2,508,040 | $ 47,243,614 |
| Asset Retirement Obligation | 317,673 | - | - | 317,673 |
| Total | $ 45,053,247 | $ - | $ 2,508,040 | $ 47,561,287 |

| 2022 | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| 2001 Certificates | 56,125,000 | - | - | 56,125,000 |
| Less: Unamortized discount | (13,764,259) | - | 2,374,833 | (11,389,426) |
| | $ 42,360,741 | $ - | $ 2,374,833 | $ 44,735,574 |
| Asset Retirement Obligation | 317,673 | - | - | 317,673 |
| Total | $ 42,678,414 | $ - | $ 2,374,833 | $ 45,053,247 |

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

Deferred inflow of resources at December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Debt service billed to Participants for Certificates in excess of related expenses | $ 34,118,588 | $ 30,330,160 |
| Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest | 5,021,795 | 4,517,687 |
| Renewable Energy Credits | 6,445,753 | 1,201,007 |
| Total Deferred Inflow of Resources | $ 45,586,136 | $ 36,048,854 |

## 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 investment in capital assets at December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Plant assets | $ 180,834,439 | $ 180,153,992 |
| Construction work in progress | 294,729 | 785,452 |
| Land | 431,881 | 431,881 |
| Accumulated depreciation | (110,774,846) | (106,275,772) |
| Subtotal | $ 70,786,203 | $ 75,095,553 |
| Related debt: | | |
| 2001 beneficial interest certificates | 56,125,000 | 56,125,000 |
| Unamortized discount - 2001 beneficial interest certificates | (8,881,386) | (11,389,426) |
| Subtotal | $ 47,243,614 | $ 44,735,574 |
| Total Net Investment in Capital Assets | $ 23,542,589 | $ 30,359,979 |

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### *ENVIRONMENTAL MATTERS*

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

### *OTHER COMMITMENTS*

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

## NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. OMEGA JV4 is self-insured for property damage risks related to its transmission line. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

## NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services for OMEGA JV5. The cost of these services for the years ended December 31, 2023 and 2022 was $186,081 and $136,491, respectively. OMEGA JV5's payables to AMP as of December 31, 2023 and 2022 were $432,247 and $0, respectively.

  As Agent, AMP also collects payments on behalf of OMEGA JV5 before transferring those funds to OMEGA JV5. As of December 31, 2023 and 2022, OMEGA JV5 had receivables from AMP of $0 and $133,784, respectively.

- As OMEGA JV5's agent, AMP purchases power on behalf of OMEGA JV5. Power purchases for the years ended December 31, 2023 and 2022 amounted to $3,684,706 and $3,502,955, 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 $722,688 and $534,391 for the years ended December 31, 2023 and 2022, respectively. OMEGA JV5 had a receivable from MESA of $0 at December 31, 2023 and 2022.

- 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 $4,701 and $5,564 for the years ended December 31, 2023 and 2022, respectively. OMEGA JV5 had payables to OMEA of $391 and $0 at December 31, 2023 and 2022, respectively.

- In 2022, OMEGA JV5 borrowed an additional $4,500,000 from AMP. At December 31, 2023, the amount remaining unpaid was $3,100,000 as shown in Related party payable on the statement of net position.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5, Franklin County, Ohio (OMEGA JV5), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise OMEGA JV5's basic financial statements, and have issued our report thereon dated April 26, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

## FRANKLIN COUNTY, OHIO

***REGULAR AUDIT***

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Rea & associates

www.reacpa.com

**Ohio Municipal Electric Generation Agency Joint Venture 6**
**Franklin County, Ohio**
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 6, Franklin County, Ohio, (OMEGA JV6), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OMEGA JV6's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 6, Franklin County, Ohio, as of December 31, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 26, 2024 on our consideration of OMEGA JV6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OMEGA JV6's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV6's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022
(Unaudited)

## 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, 2023 and 2022 with selected comparative information for the year ended December 31, 2021. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

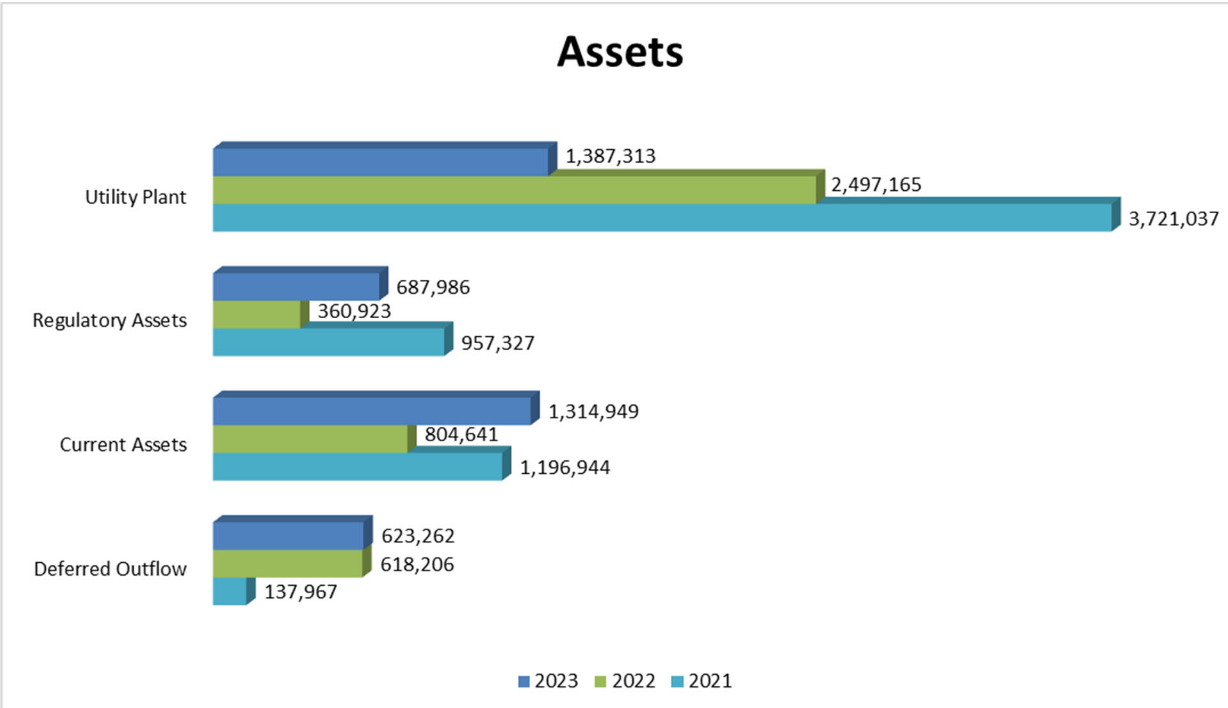
The statements of net position provide information about the nature and amount of assets, deferred outflow of resources, liabilities and deferred inflow of resources of OMEGA JV6 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for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

## Financial Highlights

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

**Condensed Statements of Net Position**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets and Deferred outflow of resources** | | | |
| Electric plant and equipment, net of accumulated depreciation | $ 1,387,313 | $ 2,497,165 | $ 3,721,037 |
| Regulatory assets | 687,986 | 360,923 | 957,327 |
| Current assets | 1,314,949 | 804,641 | 1,196,944 |
| Deferred outflow of resources | 623,262 | 618,206 | 137,967 |
| **Total Assets and Deferred outflow of resources** | $ 4,013,510 | $ 4,280,935 | $ 6,013,275 |
| **Net Position, Liabilities, and Deferred inflow of resources** | | | |
| Net Position - investment in capital assets | $ 1,387,313 | $ 2,497,165 | $ 3,721,037 |
| Net Position - unrestricted | 374,013 | 238,463 | 238,463 |
| Current liabilities | 104,721 | 92,327 | 94,303 |
| Asset retirement obligations | 1,311,246 | 979,130 | 1,095,293 |
| Deferred inflow of resources | 836,217 | 473,850 | 864,179 |
| **Total Net Position, Liabilities, and Deferred inflow of resources** | $ 4,013,510 | $ 4,280,935 | $ 6,013,275 |

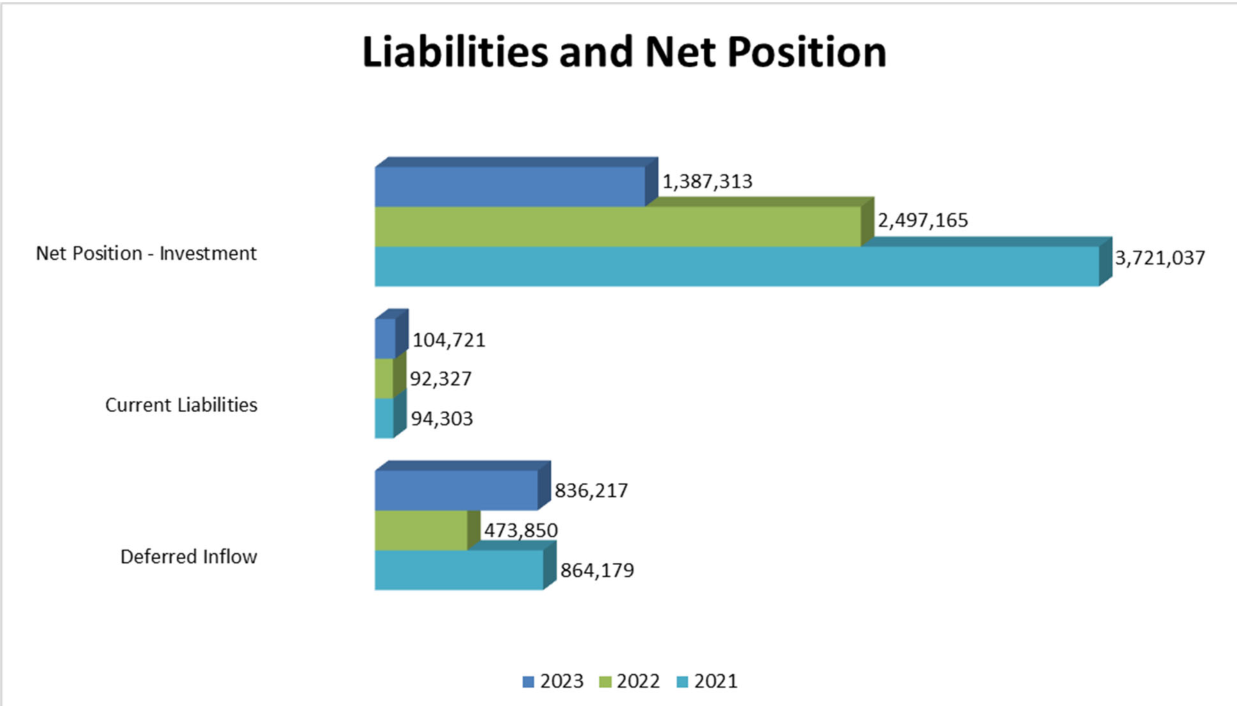



**Utility Plant (capital assets)** decreased from 2021 through 2023 due to annual deprecation. Additional information on OMEGA JV6's capital assets can be found in Note 3 to the basic financial statements.

**Regulatory Assets** represent future recoverable costs related to the accumulated depreciation expense on asset retirement obligations (ARO) and accretion expense. The $596,000 decrease from 2021 to 2022 was related to a revaluation of ARO, while 2022 to 2023 is more representative of recoverable costs and ARO depreciation.

**Current Assets** from 2022 to 2023 increased by $510,000 and is attributable to the opening and use of Insured Cash Sweep (ICS) accounts. The decrease from 2021 to 2022 relates to a significant decrease in cash and investments as payments were made to retire related party payables.

**Deferred Outflow** has a $480,000 increase from 2021 to 2022 which is related to a revaluation of ARO. The $5,000 change from 2022 to 2023 is more representative of this category's activity, which is accumulated depreciation and asset retirement cost.




**Net Position – Investment** is directly related to capital assets decrease caused by annual depreciation.

**Current Liabilities** had a $12,000 increase from 2022 to 2023 related to increased payables to related parties. The 2021 to 2022 decrease is from the reduction in payables to related parties.

**Deferred Inflows** from 2021 to 2022 decreased due to higher expenses related to Regulatory Assets, specifically operation and maintenance. These increased expenses did not continue into 2023 thereby increasing deferred inflow of $362,000.

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

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 539,783 | $ 344,301 | $ 420,798 |
| Operating Expenses | 1,925,368 | 754,750 | 741,257 |
| Operating Loss | $ (1,385,585) | $ (410,449) | $ (320,459) |
| Non-operating revenues/expenses | | | |
| Investment Income | $ 36,480 | $ 6,798 | $ 151 |
| Loss on retirement of assets | - | (924,163) | - |
| Future recoverable costs | 374,803 | 103,942 | 20,599 |
| Non-operating revenues/expenses | $ 411,283 | $ (813,423) | $ 20,750 |
| Change in Net Position | $ (974,302) | $ (1,223,872) | $ (299,709) |

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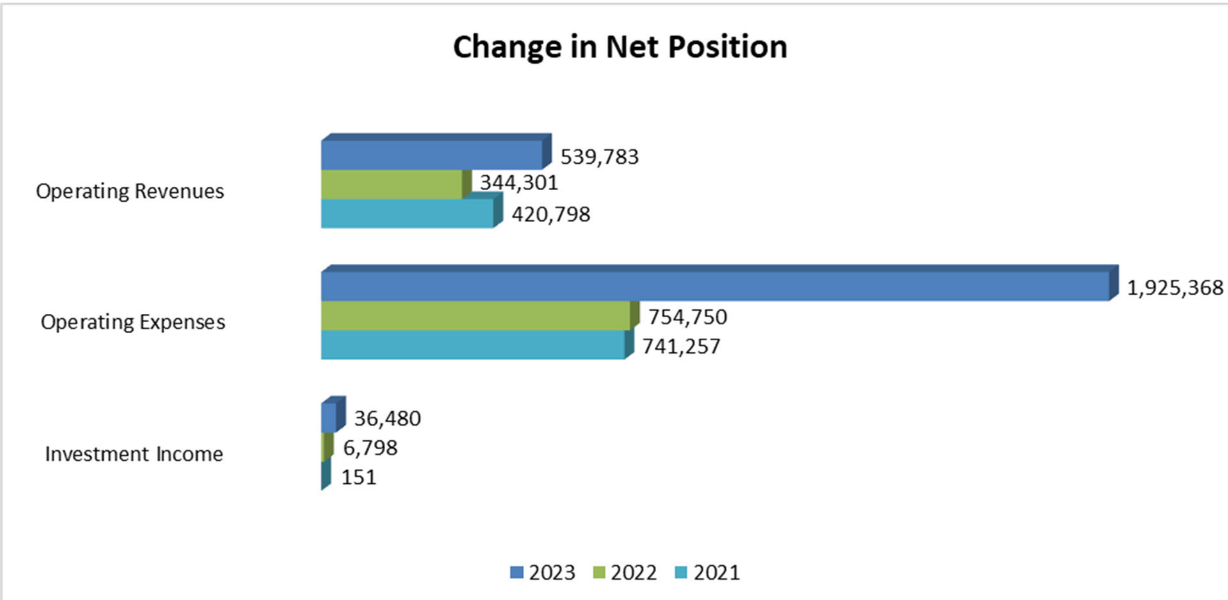


**Operating Revenues** increased mainly due to fixed electric revenue from 2022 to 2023. This is the same for 2021 to 2022, but offsetting renewable energy credits caused a decrease of $76,000.

**Operating Expenses** increased by $1,200,000 from 2022 to 2023. This is caused by the need to accelerate depreciation expense in 2023 due to a change in estimated useful lives of capital assets. The 2021 to 2022 increase of $13,000 relates to increased related party service expenses.

**Investment Income** in 2023 increased $30,000 from 2022. This is attributed to the opening and use of our ICS accounts. The ICS accounts started their use in Q4 2022, which is the cause of 2022 increase over 2021.

**Changes in Net Position.** Ending net position year to year declined each year of this report due to depreciation expense.

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and temporary investments | $ 1,192,664 | $ 704,675 |
| Receivables from participants | 56,265 | 43,698 |
| Receivables from related parties | 6,575 | - |
| Prepaid expenses | 59,445 | 56,268 |
| Total Current Assets | 1,314,949 | 804,641 |
| **NONCURRENT ASSETS** | | |
| Electric Plant and Equipment | | |
| Electric plant | 6,656,946 | 6,656,946 |
| Accumulated depreciation | (5,269,633) | (4,159,781) |
| Net Electric Plant and Equipment | 1,387,313 | 2,497,165 |
| Regulatory assets | 687,986 | 360,923 |
| Total Non-Current Assets | 2,075,299 | 2,858,088 |
| **DEFERRED OUTFLOW OF RESOURCES** | | |
| Deferred outflow from asset retirement obligation | 623,262 | 618,206 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 4,013,510 | $ 4,280,935 |
| ***LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 91,627 | $ 87,368 |
| Payable to related parties | 13,094 | 4,959 |
| Total Current Liabilities | 104,721 | 92,327 |
| **NONCURRENT LIABILITIES** | | |
| Asset retirement obligation | 1,311,246 | 979,130 |
| Total Noncurrent Liabilities | 1,311,246 | 979,130 |
| Total Liabilities | 1,415,967 | 1,071,457 |
| **DEFERRED INFLOW OF RESOURCES** | | |
| Rates intended to recover future costs | 836,217 | 473,850 |
| **NET POSITION** | | |
| Investment in capital assets | 1,387,313 | 2,497,165 |
| Unrestricted | 374,013 | 238,463 |
| Total Net Position | 1,761,326 | 2,735,628 |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | $ 4,013,510 | $ 4,280,935 |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Electric revenue | $ 539,783 | $ 344,301 |
| **OPERATING EXPENSES** | | |
| Related party services | 92,399 | 76,271 |
| Capacity | 2,097 | 50,581 |
| Depreciation | 1,109,852 | 299,709 |
| Accretion of asset retirement obligation | 374,805 | 103,944 |
| Maintenance | 233,437 | 129,574 |
| Insurance | 29,515 | 29,933 |
| Professional services | 20,525 | 28,479 |
| Other operating expenses | 62,738 | 36,259 |
| Total Operating Expenses | 1,925,368 | 754,750 |
| Operating Loss | (1,385,585) | (410,449) |
| **NONOPERATING REVENUES/EXPENSES** | | |
| Investment income | 36,480 | 6,798 |
| Loss on retirement of assets | - | (924,163) |
| Future recoverable costs | 374,803 | 103,942 |
| Total Non-Operating Revenues/Expenses | 411,283 | (813,423) |
| **Change in net position** | (974,302) | (1,223,872) |
| NET POSITION, Beginning of Year | 2,735,628 | 3,959,500 |
| **NET POSITION, END OF YEAR** | $ 1,761,326 | $ 2,735,628 |

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY**
**JOINT VENTURE 6**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from (paid to) participants | $ 889,583 | $ (58,242) |
| Cash paid to related parties for personnel services | (109,861) | (101,621) |
| Cash payments to suppliers and related parties for goods and services | (328,213) | (289,881) |
| Net Cash provided by (used in) Operating Activities | 451,509 | (449,744) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income received | 36,480 | 6,798 |
| Net Cash Provided by Investing Activities | 36,480 | 6,798 |
| **Net Change in Cash and Cash Equivalents** | 487,989 | (442,946) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 704,675 | 1,147,621 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,192,664 | $ 704,675 |

| | | |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating loss | $ (1,385,585) | $ (410,449) |
| Depreciation | 1,109,852 | 299,709 |
| Accretion of asset retirement obligation | 374,805 | 103,944 |
| Changes in assets, liabilities and deferred inflow of resources | | |
| Receivables from participants | (12,567) | (12,214) |
| Receivables from related parties | (6,575) | - |
| Prepaid expenses | (3,177) | (38,429) |
| Regulatory Assets | (327,063) | 596,404 |
| Deferred outflow from asset retirement obligation | (5,056) | (480,239) |
| Asset Retirement Obligation | 332,116 | (116,163) |
| Accounts payable and accrued expenses | 4,257 | (3,411) |
| Payable to related parties | 8,135 | 1,433 |
| Deferred inflow of resources | 362,367 | (390,329) |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | $ 451,509 | $ (449,744) |

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.

#### *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 22 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 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.Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount required to settle the liability is recorded as a settlement gain or loss.

***Regulatory Assets***

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

Regulatory assets consisted of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Future expenses related to asset retirement obligations | $ 687,986 | $ 360,923 |

## 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:

| | 2023 | 2022 |
|---|---|---|
| Future expenses related to Fixed O&M costs | $ 836,217 | $ 473,850 |

***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 | 3,075 | 56.94 | % |
| Cuyahoga Falls | 1,350 | 25.00 | |
| Napoleon | 225 | 4.17 | |
| Wadsworth | 187.5 | 3.47 | |
| Oberlin | 187.5 | 3.47 | |
| Montpelier | 75 | 1.39 | |
| Edgerton | 75 | 1.39 | |
| Pioneer | 75 | 1.39 | |
| Monroeville | 75 | 1.39 | |
| Elmore | 75 | 1.39 | |
| Totals | 5,400 | 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.

| | 2023 | 2022 |
|---|---|---|
| Checking | $ 481,392 | $ 704,675 |
| Insured Cash Sweep | 711,272 | - |
| | $ 1,192,664 | $ 704,675 |

***Custodial Credit Risk***

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 had custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2023 and 2022, 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:

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Electric plant | $ 6,656,946 | $ - | $ - | $ 6,656,946 |
| Less: Accumulated depreciation | (4,159,781) | (1,109,852) | - | (5,269,633) |
| Electric Plant, Net | $ 2,497,165 | $ (1,109,852) | $ - | $ 1,387,313 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Electric plant | $ 8,991,262 | $ - | $ (2,334,316) | $ 6,656,946 |
| Less: Accumulated depreciation | (5,270,225) | (299,709) | 1,410,153 | (4,159,781) |
| Electric Plant, Net | $ 3,721,037 | $ (299,709) | $ (924,163) | $ 2,497,165 |

During 2022, it was determined that the shutdown of Turbine #3 was other than a short-term shutdown and the Participants approved its retirement. The costs associated with this turbine were written off with the assumption that there was no salvage value. In addition, it was determined that the remaining life of the operating turbines was less than OMEGA JV6 had been depreciating the assets and that the net book value would be depreciated with a shorter life than was previously expected beginning in 2023. The participants approved the plan to retire of the remaining operating units in 2025.

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## NOTE 4 – ASSET RETIREMENT OBLIGATIONS

OMEGA JV6 has an obligation to remove electric plant from the 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:

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning Balance | Accretion Expense | Change in Estimate | Ending Balance |
| Asset retirement obligation | $ 979,130 | $ 374,805 | $ (42,689) | $ 1,311,246 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Accretion Expense | Change in Estimate | Ending Balance |
| Asset retirement obligation | $ 1,095,293 | $ 103,944 | $ (220,107) | $ 979,130 |

**This space is intentionally left blank.**

## NOTE 4 – ASSET RETIREMENT OBLIGATIONS(cont.)

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. OMEGA JV6 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2022.

## NOTE 5 – NET POSITION

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

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

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

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

The following calculation supports the investment in capital assets:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Electric plant | $6,656,946 | $6,656,946 | $8,991,262 |
| Less: Accumulated depreciation | (5,269,633) | (4,159,781) | (5,270,225) |
| Total Investment in Capital Assets | $1,387,313 | $2,497,165 | $3,721,037 |

## 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 69% of electric service revenue in 2023 and 82% of electric service revenue in 2023.

## NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to an Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of $2,304 and $2,440 for the years ended December 31, 2023 and 2022, respectively, and had a payable of $13,094 and $4,959 to AMP at December 31, 2023 and 2022, 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 $90,095 and $73,831 for the years ended December 31, 2023 and 2022, respectively. OMEGA JV6 had a payable to MESA of $0 at each of the years ended December 31, 2023 and 2022.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6, Franklin, County (OMEGA JV6), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise OMEGA JV6's basic financial statements, and have issued our report thereon dated April 26, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OMEGA JV6's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

# MUNICIPAL ENERGY SERVICES AGENCY
## FRANKLIN COUNTY, OHIO

***REGULAR AUDIT***

**FOR THE YEARS ENDED**
**DECEMBER 31, 2023 AND 2022**

Rea & associates

www.reacpa.com

**Municipal Energy Services Agency**
**Franklin County, Ohio**
*Table of Contents*
*December 31, 2023 and 2022*

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the Municipal Energy Services Agency, Franklin County, Ohio, (MESA), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MESA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Energy Services Agency, Franklin County, Ohio, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 26, 2024 on our consideration of MESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MESA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MESA's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

**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, 2023 and 2022 with selected comparative information for the year ended December 31, 2021. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

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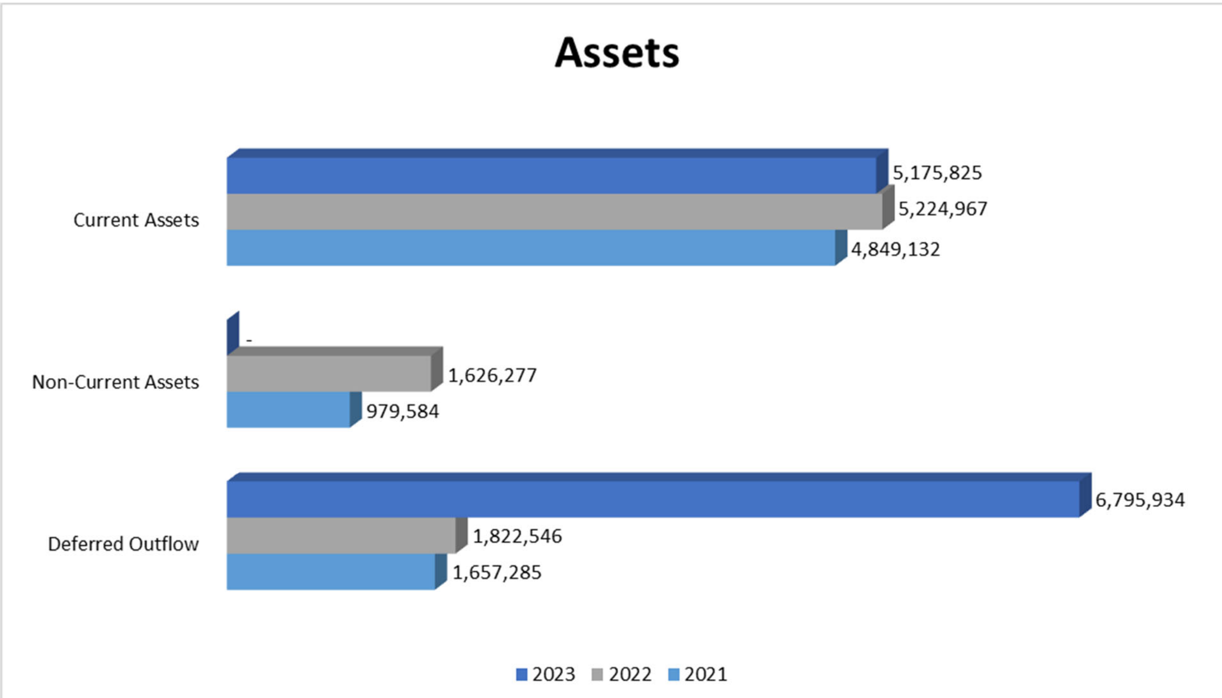
## Financial Highlights

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

**Condensed Statements of Net Position**

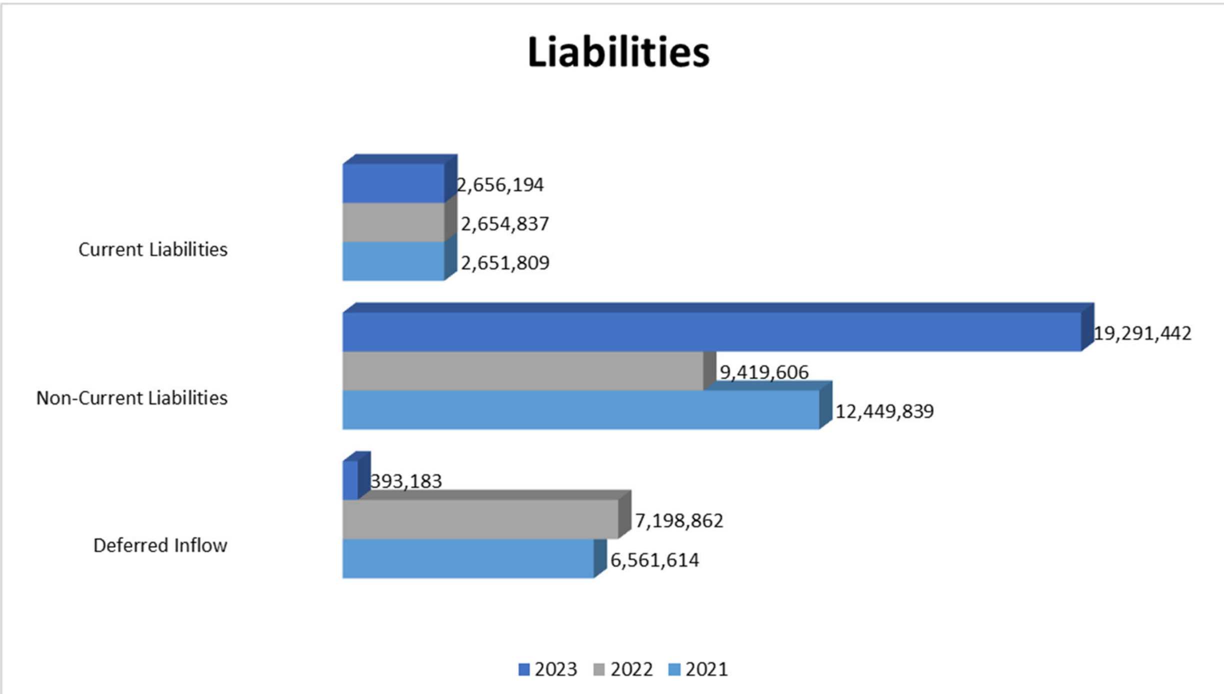
| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short term investments | $ 1,665,288 | $ 2,997,343 | $ 318,059 |
| Receivables from AMP members | 171,659 | 287,537 | 163,243 |
| Receivables from related parties | 3,334,836 | 1,936,489 | 4,364,403 |
| Prepaid expenses | 4,042 | 3,598 | 3,427 |
| **Total Current Assets** | $ 5,175,825 | $ 5,224,967 | $ 4,849,132 |
| **Non-current assets** | | | |
| OPEB | - | 1,626,277 | 979,584 |
| **Deferred Outflow of Resources** | | | |
| OPEB & Pension | 6,795,934 | 1,822,546 | 1,657,285 |
| **Total Assets and Deferred Outflow of Resources** | $ 11,971,759 | $ 8,673,790 | $ 7,486,001 |
| **Liabilities** | | | |
| **Total Current Liabilities** | $ 2,656,194 | $ 2,654,837 | $ 2,651,809 |
| **Noncurrent liabilities** | | | |
| OPEB | 318,349 | - | - |
| Net pension liability | 13,797,268 | 4,194,639 | 7,600,707 |
| Other long-term amounts | 2,519,631 | 2,570,130 | 2,197,323 |
| **Total Liabilities** | 19,291,442 | 9,419,606 | 12,449,839 |
| **Deferred inflow of resources** | | | |
| OPEB | 123,637 | 1,731,793 | 3,124,047 |
| Pension | 269,546 | 5,467,069 | 3,437,567 |
| | 393,183 | 7,198,862 | 6,561,614 |
| **Net Position** | | | |
| Unrestricted | (7,712,866) | (7,944,678) | (11,525,452) |
| **Total Net Position, Liabilities, and Deferred Inflow of Resources** | $ 11,971,759 | $ 8,673,790 | $ 7,486,001 |




**Current Assets** decreased $50,000 from 2022 to 2023 as a result of decreases in cash and short term investments partially offset by increased receivables from related parties. An increase in cash and short term investments that was offset by decreased receivables caused the $376,000 increase from 2021 to 2022.

**Non-Current Assets** declined to a zero balance in 2023 representing a current underfunding of OPEB benefits, while the balance in 2022 and 2021 represent an overfunded position.

**Deferred Outflow** increases are attributable to differences between projected and actual experience for the pension plan and a change in assumptions for OPEB and Pension.




**Current Liabilities** minimal increase from 2022 to 2023 related to a higher accrued salaries and benefits. Similar increases were experienced from 2021 to 2022.

**Non-Current Liabilities** had a $9,900,000 increase from 2022 to 2023. This represents an underfunding of OPEB benefits and a significant increase in net position liabilities. The decrease in 2022 was also primarily attributable to fluctuations in net pension liabilities. Additional information on MESA's non-current liabilities can be found in Note 4 to the basic financial statements.

**Deferred Inflow** increases and decreases between the reported periods are attributable to differences between projected and actual experience for the pension plan and a change in assumptions for OPEB and Pension.

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**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 12,033,488 | $ 12,458,520 | $ 14,662,343 |
| Operating Expenses | 11,879,790 | 8,903,919 | 7,046,027 |
| Operating Income | 153,698 | 3,554,601 | 7,616,316 |
| Non-operating revenue | | | |
| Investment Income | 78,114 | 26,173 | 26 |
| Change in Net Position | $ 231,812 | $ 3,580,774 | $ 7,616,342 |

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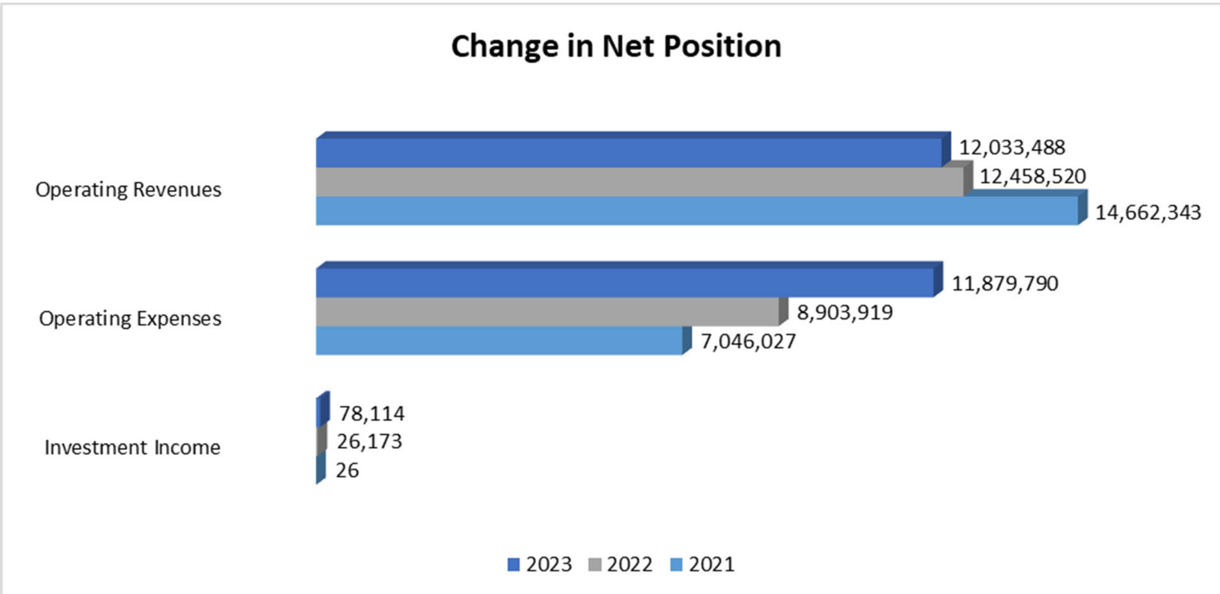


**Operating Revenues.** MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenues decreased $425,000 from 2022 to 2023 because of lower services of $249,000 and projects of $176,000. The decrease in 2022 comes from lower projects of $2,300,000 and higher services of $49,000.

**Operating Expenses** increased $2,900,000 in 2023 compared to 2022. The main driver of this is higher salaries and benefits and fluctuations in Net OPEB and pension liabilities. From 2021 to 2022 operating expenses increased $1,8000,000. The main driver of this change was higher salaries and benefits that were partially offset by lower project expenses.

**Investment Income** for MESA is limited to interest earned in the checking account for operating funds. Increases from 2021 through 2023 are related to higher interest rates.

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| ***ASSETS AND DEFERRED OUTFLOW OF RESOURCES*** | | |
| **CURRENT ASSETS** | | |
| Cash and short term investments | $ 1,665,288 | $ 2,997,343 |
| Receivables from AMP members | 171,659 | 287,537 |
| Receivables from related parties | 3,334,836 | 1,936,489 |
| Prepaid expenses | 4,042 | 3,598 |
| Total Current Assets | 5,175,825 | 5,224,967 |
| **NONCURRENT ASSETS** | | |
| Net OPEB Asset | - | 1,626,277 |
| Total Non-current Assets | - | 1,626,277 |
| **DEFERRED OUTFLOW OF RESOURCES** | | |
| OPEB | 943,188 | 34,068 |
| Pension | 5,852,746 | 1,788,478 |
| Total Deferred Outflow | 6,795,934 | 1,822,546 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 11,971,759 | $ 8,673,790 |
| ***LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 113,101 | $ 73,326 |
| Accrued Salaries and related benefits | 1,710,349 | 1,721,688 |
| Accrued Vacation | 832,744 | 859,823 |
| Total Current Liabilities | 2,656,194 | 2,654,837 |
| **NONCURRENT LIABILITIES** | | |
| Accrued Sick Leave | 2,519,631 | 2,570,130 |
| Net OPEB Liability | 318,349 | - |
| Net Pension Liability | 13,797,268 | 4,194,639 |
| Total Noncurrent Liabilities | 16,635,248 | 6,764,769 |
| Total Liabilities | 19,291,442 | 9,419,606 |
| **DEFERRED INFLOW OF RESOURCES** | | |
| OPEB | 123,637 | 1,731,793 |
| Pension | 269,546 | 5,467,069 |
| Total Deferred Inflow | 393,183 | 7,198,862 |
| **NET POSITION** | | |
| Unrestricted | (7,712,866) | (7,944,678) |
| Total Net Position | (7,712,866) | (7,944,678) |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | $ 11,971,759 | $ 8,673,790 |

See accompanying notes to financial statements

**MUNICIPAL ENERGY SERVICES AGENCY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Services | $ 11,386,281 | $ 11,635,202 |
| Project revenue | 647,207 | 823,318 |
| Total Operating Revenues | 12,033,488 | 12,458,520 |
| **OPERATING EXPENSES** | | |
| Salaries and related benefits | 10,799,428 | 7,655,705 |
| Professional fees | 204,913 | 94,036 |
| Direct project expenses | 798,494 | 1,081,068 |
| Insurance | 48,056 | 43,004 |
| Other operating expenses | 28,899 | 30,106 |
| Total Operating Expenses | 11,879,790 | 8,903,919 |
| Operating Income (Loss) | 153,698 | 3,554,601 |
| **NONOPERATING REVENUES** | | |
| Investment income | 78,114 | 26,173 |
| Total Non-Operating Revenues | 78,114 | 26,173 |
| **Change in net position** | 231,812 | 3,580,774 |
| NET POSITION, Beginning of Year | (7,944,678) | (11,525,452) |
| **NET POSITION, END OF YEAR** | $ (7,712,866) | $ (7,944,678) |

## MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from AMP members for services | $ 763,085 | $ 699,024 |
| Cash received from related parties for services | 9,987,934 | 14,063,116 |
| Cash payments to employees for services | (10,810,767) | (9,023,361) |
| Cash payments to suppliers and related parties for good and services | (1,350,421) | (3,085,668) |
| Net Cash (Used In) Provided by Operating Activities | (1,410,169) | 2,653,111 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income received | 78,114 | 26,173 |
| Net Cash Provided by Investing Activities | 78,114 | 26,173 |
| **Net Change in Cash and Cash Equivalents** | (1,332,055) | 2,679,284 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 2,997,343 | 318,059 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,665,288 | $ 2,997,343 |

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Operating income (loss) | $ 153,698 | $ 3,554,601 |
| Changes in assets, deferred inflows and outflows of resources and liabilities: | | |
| Receivables from AMP | 115,878 | (124,294) |
| Receivables from related parties | (1,398,347) | 2,427,914 |
| Prepaid expenses | (444) | (171) |
| Deferred inflows and outflows, net | (11,779,067) | 471,987 |
| Accounts payable and accrued expenses | 39,775 | (48,635) |
| Accrued salaries and related benefits | (11,339) | 124,893 |
| Accrued vacation and sick leave | (77,578) | 299,577 |
| Net change in pension & OPEB liabilities/assets | 11,547,255 | (4,052,761) |
| **NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES** | $ (1,410,169) | $ 2,653,111 |



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, 2023, 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, 2023.

The following summarizes the significant accounting policies followed by MESA.

### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION*

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

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

### *ASSETS, LIABILITIES AND NET POSITION*

#### *Deposits and Investments*

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

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

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

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

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

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

***Receivables/Payables***

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

***Prepaid Expenses***

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

***Accrued Vacation and Sick Leave***

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

***Pensions / Other Postemployment Benefits (OPEB)***

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

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

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

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For MESA, deferred outflows of resources reported for pension and OPEB plans are explained further in Notes 5 and 6.

In additional to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow until that time. For MESA, deferred inflows of resources are reported for pension and OPEB, explained further in Notes 5 and 6.

***Service Revenue and Expenses***

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

***Project Revenue and Expenses***

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

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

MESA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with MESA’s principal ongoing operations. Operating expenses for MESA include the cost of sales and services, and

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

administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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

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

| | 2023 | 2022 |
|---|---|---|
| Checking | $ 902,052 | $ 2,997,343 |
| Insured Cash Sweep | 763,236 | - |
| | $ 1,665,288 | $ 2,997,343 |

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, 2023 and 2022.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. Balances not insured by the FDIC are covered by the pledged pool collateral or through the State of Ohio's pooled collateral system administered by the Ohio Treasurer's Office. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2023 and 2022 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. Claims outstanding are included in accrued salaries and related benefits payable.

Changes in funds' claim liability amount in 2023, 2022 and 2021 were:

| Year | Beginning Balance | Current year claims and change in Estimate | Claim Payments | Ending Balance |
|---|---|---|---|---|
| 2023 | $ 300,147 | $ 2,520,863 | $ 2,497,159 | $ 323,851 |
| 2022 | $ 321,167 | $ 2,040,716 | $ 2,061,736 | $ 300,147 |
| 2021 | $ 249,657 | $ 2,056,610 | $ 1,985,100 | $ 321,167 |

## NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the years ended December 31, 2023 and 2022 are as follows:

| 2023 | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Accrued sick leave | $ 2,570,130 | $ 430,619 | $ 481,118 | $ 2,519,631 | $ - |
| Net OPEB liability | $ - | 318,349 | - | 318,349 | - |
| Net pension liability | 4,194,639 | 9,602,629 | - | 13,797,268 | - |
| Total | $ 6,764,769 | $ 10,351,597 | $ 481,118 | $ 16,635,248 | $ - |

| 2022 | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Accrued sick leave | $ 2,197,323 | $ 632,750 | $ 259,943 | $ 2,570,130 | $ - |
| Net pension liability | 7,600,707 | - | 3,406,068 | $ 4,194,639 | - |
| Total | $ 9,798,030 | $ 632,750 | $ 3,666,011 | $ 6,764,769 | $ - |

## NOTE 5 – DEFINED BENEFIT PENSION PLANS

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)

### *Plan Description – Ohio Public Employees Retirement System (OPERS)*

Plan Description – MESA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

## NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

| | State and Local |
|---|---|
| **2023 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| | |
| **2023 Actual Contribution Rates** | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | 0.0 |
| | |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $1,316,043 for 2023. Of this amount, $148,746 is reported as an accrued salaries and related benefits.

**NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)**

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MESA's proportion of the net pension liability was based on MESA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | 2023 OPERS | 2022 OPERS |
|---|---|---|
| Proportion of the Net Pension Liability: | | |
| Current Measurement Period | 0.046707% | 0.048212% |
| Prior Measurement Period | 0.048212% | 0.051329% |
| Change in Proportion | -0.001505% | -0.003117% |
| Proportionate Share of the Net Pension Liability | $ 13,797,268 | $ 4,194,639 |
| Pension Expense | $ 1,656,881 | $ (1,063,476) |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2023, MESA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 5 – DEFINED BENEFIT PENSION PLANS (CONT'D)**

| | 2023 OPERS | 2022 OPERS |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | $ 3,932,657 | $ - |
| Differences between Expected and Actual Experience | 458,288 | 213,836 |
| Changes of Assumptions | 145,758 | 524,535 |
| Changes in Proportionate Share and Differences in Contributions | - | 36,486 |
| MESA Contributions Subsequent to the Measurement Date | 1,316,043 | 1,013,621 |
| Total Deferred Outflows of Resources | $ 5,852,746 | $ 1,788,478 |
| **Deferred Inflows of Resources** | | |
| Differences between Expected and Actual Experience | $ - | $ 91,998 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 4,989,370 |
| Changes in Proportionate Share and Differences in Contributions | 269,546 | 385,701 |
| Total Deferred Inflows of Resources | $ 269,546 | $ 5,467,069 |

$1,316,043 reported as deferred outflows of resources related to pension resulting from MESA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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 |
|---|---|
| 2024 | $ 315,706 |
| 2025 | 867,390 |
| 2026 | 1,157,573 |
| 2027 | 1,926,488 |
| Total | $ 4,267,157 |

## NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)

### *Actuarial Assumptions – OPERS*

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

| | OPERS Traditional Plan |
|---|---|
| Wage Inflation | 2.75 percent |
| Future Salary Increases, including inflation | 2.75 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA: | |
| Pre-January 7, 2013 Retirees | 3.00 percent, simple |
| Post-January 7, 2013 Retirees | 3.00 percent, simple through 2023, then 2.05 percent, simple |
| Investment Rate of Return | 6.90 percent |
| Actuarial Cost Method | Individual Entry Age |

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2021, are presented below:

| | OPERS Traditional Plan |
|---|---|
| Wage Inflation | 2.75 percent |
| Future Salary Increases, including inflation | 2.75 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA: | |
| Pre-January 7, 2013 Retirees | 3.00 percent, simple |
| Post-January 7, 2013 Retirees | 3.00 percent, simple through 2022, then 2.05 percent, simple |
| Investment Rate of Return | 6.90 percent |
| Actuarial Cost Method | Individual Entry Age |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

**NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)**

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, 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 12.10 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|---|---|---|
| Fixed Income | 22.00% | 2.62% |
| Domestic Equities | 22.00 | 4.60 |
| Real Estate | 13.00 | 3.27 |
| Private Equity | 15.00 | 7.53 |
| International Equities | 21.00 | 5.51 |
| Risk Parity | 2.00 | 4.37 |
| Other investments | 5.00 | 3.27 |
| Total | 100.00% | |

## NOTE 5 – DEFINED BENEFIT PENSION PLANS(CONT'D)

***Discount Rate*** The discount rate used to measure the total pension liability for the current year was 6.9 percent. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of MESA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents MESA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| MESA's Proportionate Share of the Net Pension Liability | $ 20,667,848 | $ 13,797,268 | $ 8,082,179 |

## NOTE 6 - DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability***

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

***Ohio Public Employees Retirement System (OPERS)***

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)**

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care. Medicare-enrolled retirees may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

**Medicare Retirees** Medicare-eligible with a minimum of 20 years of qualifying service credit

**Non-Medicare Retirees** Non-Medicare retirees qualify based on the following age-and-service criteria:

***Group A*** 30 years of qualifying service credit at any age;

***Group B*** 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

***Group C*** 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

**NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)**

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care.

**NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)**

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members. 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. MESA's contractually required contribution was $0 for 2023.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. MESA's proportion of the net OPEB liability (asset) was based on MESA's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | 2023 OPERS | 2022 OPERS |
|---|---|---|
| Proportion of the Net OPEB Liability: | | |
| Current Measurement Period | 0.050490% | 0.051922% |
| Prior Measurement Period | 0.051922% | 0.054984% |
| Change in Proportion | -0.001432% | -0.003062% |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 318,349 | $ (1,626,277) |
| OPEB Expense | $ (572,650) | $ (1,503,677) |

At December 31, 2023, MESA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)**

| | 2023 OPERS | 2022 OPERS |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | $ 632,249 | $ - |
| Changes of Assumptions | 310,939 | - |
| Changes in Proportionate Share and Differences in Contributions | - | 34,068 |
| Total Deferred Outflows of Resources | $ 943,188 | $ 34,068 |
| | | |
| **Deferred Inflows of Resources** | | |
| Differences between Expected and Actual Experience | $ 79,409 | $ 246,681 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | - | 775,296 |
| Changes of Assumptions | 25,585 | 658,299 |
| Changes in Proportionate Share and Differences in Contributions | 18,643 | 51,517 |
| Total Deferred Inflows of Resources | $ 123,637 | $ 1,731,793 |

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

| Year Ending December 31: | OPERS |
|---|---|
| 2024 | $ 86,090 |
| 2025 | 230,875 |
| 2026 | 197,155 |
| 2027 | 305,431 |
| Total | $ 819,551 |

## NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)

### *Actuarial Assumptions – OPERS*

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Wage Inflation | 2.75 percent | 2.75 percent |
| Projected Salary Increases, | 2.75 to 10.75 percent<br>including wage inflation | 2.75 to 10.75 percent<br>including wage inflation |
| Single Discount Rate | 5.22 percent | 6.00 percent |
| Investment Rate of Return | 6.00 percent | 6.00 percent |
| Municipal Bond Rate | 4.05 percent | 1.84 percent |
| Health Care Cost Trend Rate | 5.50 percent, initial<br>3.50 percent, ultimate in 2036 | 5.50 percent, initial<br>3.50 percent, ultimate in 2034 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

## NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)

During 2022, 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 eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|---|---|---|
| Fixed Income | 34.00% | 2.56% |
| Domestic Equities | 26.00 | 4.60 |
| Real Estate Investment Trust | 7.00 | 4.70 |
| International Equities | 25.00 | 5.51 |
| Risk Parity | 2.00 | 4.37 |
| Other investments | 6.00 | 1.84 |
| Total | 100.00% | |

## NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)

***Discount Rate*** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of MESA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents MESA's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what MESA's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| MESA's Proportionate Share of the Net OPEB Liability (Asset) | $ 1,083,515 | $ 318,349 | $ (313,038) |

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## NOTE 6 - DEFINED BENEFIT OPEB PLANS(CONT'D)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| MESA's Proportionate Share of the Net OPEB Liability | $ 298,396 | $ 318,349 | $ 340,808 |

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## 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 | 2023 | 2022 |
|---|---|---|
| AMP | $ 11,386,281 | $ 11,635,202 |
| AMP Members | 647,207 | 823,318 |
| **Total** | $ 12,033,488 | $ 12,458,520 |

At December 31, 2023 and 2022, MESA had receivables from affiliates of $3,334,836 and $1,936,489 respectively, and receivables from AMP members of $171,659 and $287,537 respectively.

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

| | MESA's Proportion of the Net Pension Liability | MESA's Proportionate Share of the Net Pension Liability | MESA's Covered Payroll | MESA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.082551% | $ 9,730,641 | $ 9,365,862 | 103.89% | 86.36% |
| 2015 | 0.082551% | 9,925,281 | 10,529,417 | 94.26% | 86.45% |
| 2016 | 0.074879% | 12,969,890 | 8,015,192 | 161.82% | 81.08% |
| 2017 | 0.068961% | 15,659,775 | 9,623,717 | 162.72% | 77.25% |
| 2018 | 0.061443% | 9,558,911 | 9,488,431 | 100.74% | 84.66% |
| 2019 | 0.054081% | 14,755,183 | 8,391,079 | 175.84% | 74.70% |
| 2020 | 0.050542% | 9,989,883 | 7,421,957 | 134.60% | 82.17% |
| 2021 | 0.051329% | 7,600,707 | 8,457,214 | 89.87% | 86.88% |
| 2022 | 0.048212% | 4,194,639 | 6,997,014 | 59.95% | 92.62% |
| 2023 | 0.046707% | 13,797,268 | 7,240,150 | 190.57% | 75.74% |

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

### *Changes in Assumptions – OPERS*

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

| | 2022 | 2019 | 2018 and 2017 | 2016 and prior |
|---|---|---|---|---|
| Wage Inflation | 2.75% | 3.25% | 2.75% | 2.75% |
| Future Salary Increases, | | | | |
| including wage inflation | 2.75% to 10.75% | 3.25% to 10.75% | 3.25% to 10.75% | 4.25% to 10.05% |
| COLA or Ad Hoc COLA | | | | |
| Pre-January 7, 2013 Retirees | 3.00%, simple | 3.00%, simple | 3.00%, simple | 3.00%, simple |
| Post-January 7, 2013 Retirees | see below | see below | see below | see below |
| Investment Rate of Return | 6.90% | 7.20% | 7.50% | 8.00% |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age | Individual Entry Age |

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, retirees are as follows:

| | |
|---|---|
| 2022 | 3.00%, simple through 2022, then 2.05%, simple |
| 2021 | 0.50%, simple through 2021, then 2.15%, simple |
| 2020 | 1.40%, simple through 2020, then 2.15%, simple |
| 2017-2019 | 3.00%, simple through 2018, then 2.15%, simple |
| 2016 and prior | 3.00%, simple through 2018, then 2.80%, simple 5.50% to 5.00% |

### *Changes in Benefit Terms – OPERS*

There were no significant changes in benefit terms.

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

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | MESA's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 1,263,530 | $ (1,263,530) | $ - | $ 10,529,417 | 12.00% |
| 2015 | 961,823 | (961,823) | - | 8,015,192 | 12.00% |
| 2016 | 1,154,846 | (1,154,846) | - | 9,623,717 | 12.00% |
| 2017 | 1,233,496 | (1,233,496) | - | 9,488,431 | 13.00% |
| 2018 | 1,174,751 | (1,174,751) | - | 8,391,079 | 14.00% |
| 2019 | 1,039,074 | (1,039,074) | - | 7,421,957 | 14.00% |
| 2020 | 1,184,010 | (1,184,010) | - | 8,457,214 | 14.00% |
| 2021 | 979,582 | (979,582) | - | 6,997,014 | 14.00% |
| 2022 | 1,013,621 | (1,013,621) | - | 7,240,150 | 14.00% |
| 2023 | 1,316,043 | (1,316,043) | - | 9,400,307 | 14.00% |

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

| | MESA's Proportion of the Net OPEB Liability (Asset) | MESA's Proportionate Share of the Net OPEB Liability (Asset) | MESA's Covered Payroll | MESA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|
| 2017 | 0.075904% | $ 7,666,578 | $ 9,623,717 | 79.66% | 54.05% |
| 2018 | 0.066795% | 7,253,458 | 9,488,431 | 76.45% | 54.14% |
| 2019 | 0.057587% | 7,508,010 | 8,391,079 | 89.48% | 46.33% |
| 2020 | 0.053943% | 7,450,972 | 7,421,957 | 100.39% | 47.80% |
| 2021 | 0.054984% | (979,584) | 8,457,214 | -11.58% | 115.57% |
| 2022 | 0.051922% | (1,626,277) | 6,997,014 | -23.24% | 128.23% |
| 2023 | 0.050490% | 318,349 | 7,240,150 | 4.40% | 94.79% |

(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.

***Changes in Assumptions - OPERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

| Assumption | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Wage Inflation | 2.75% | 2.75% | 3.25% | 3.25% | 3.25% | 3.25% |
| Discount Rate | 5.22% | 6.00% | 6.00% | 3.16% | 3.96% | 3.85% |
| Municipal Bond Rate | 4.05% | 1.84% | 2.00% | 2.75% | 3.71% | 3.31% |
| Health Care Cost Trend Rate | 5.50% | 5.50% | 8.50% | 10.50% | 10.00% | 7.50% |

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

***Changes in Benefit Terms – OPERS***

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

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

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | MESA's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 210,588 | $ (210,588) | $ - | $ 10,529,417 | 2.00% |
| 2015 | 160,304 | (160,304) | - | 8,015,192 | 2.00% |
| 2016 | 192,474 | (192,474) | - | 9,623,717 | 2.00% |
| 2017 | 112,966 | (112,966) | - | 9,488,431 | 1.00% |
| 2018 | - | - | - | 8,391,079 | 0.00% |
| 2019 | - | - | - | 7,421,957 | 0.00% |
| 2020 | - | - | - | 8,457,214 | 0.00% |
| 2021 | - | - | - | 6,997,014 | 0.00% |
| 2022 | - | - | - | 7,240,150 | 0.00% |
| 2023 | - | - | - | 9,400,307 | 0.00% |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Municipal Energy Services Agency (MESA), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise MESA's basic financial statements, and have issued our report thereon dated April 26, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
April 26, 2024

OHIO AUDITOR OF STATE
KEITH FABER

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

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 5/16/2024**


65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370