



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013



Dave Yost • Auditor of State

Board of Participants

Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5, 6 and Municipal Energy Service Agency

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We have reviewed the *Independent Auditors' Report* of the Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5, 6 and Municipal Energy Service Agency, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 19, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 1 as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of OMEGA JV1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV1's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") for the years ended December 31, 2014 and 2013. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statements of Net Position

	2014	2013	2012
Assets			
Electric plant, net of accumulated depreciation	\$ 151,967	\$ 172,165	\$ 191,909
Board designated funds	78,147	74,546	71,199
Long term regulatory assets	79,064	75,594	72,340
Current assets	259,417	181,763	181,017
Total Assets	\$ 568,595	\$ 504,068	\$ 516,465
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	\$ 151,967	\$ 172,165	\$ 191,909
Net position - unrestricted	231,728	231,422	231,517
Current liabilities	56,716	25,935	21,840
Asset retirement obligations	73,461	74,546	71,199
Deferred inflow of resources	54,723	-	-
Total Net Position, Liabilities and Deferred Inflow of Resources	\$ 568,595	\$ 504,068	\$ 516,465

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2014 vs. 2013

Total assets were \$568,595 and \$504,068 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$64,527. The increase in 2014 total assets is due primarily to an increase in inventory, receivables from participants and operating cash, offset by a decrease in regulatory assets.

Electric plant, net of accumulated depreciation was \$151,967 and \$172,165 at year-end 2014 and 2013, respectively, a decrease of \$20,198. The decrease was primarily the result of yearly depreciation of \$19,761. The cost associated with the asset retirement obligation included in the cost of electric plant for 2014 was \$27,247, versus \$27,684 in 2013. ARO obligations for OMEGA JV1 were prepared by an independent engineering consultant.

Long-term regulatory assets were \$79,064 and \$75,594 at December 31, 2014 and December 31, 2013, respectively, an increase of \$3,470. Regulatory assets contain amounts for ARO and operational and maintenance related expenses. These regulatory amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were \$259,417 and \$181,763 at December 31, 2014 and December 31, 2013, respectively, an increase of \$77,654. Compared to 2013 levels, cash increased \$29,587, accounts receivable increased \$69,642, inventory increased \$13,055, prepaid assets increased \$543 and current regulatory assets decreased \$35,173.

Total net position, liabilities, and deferred inflow of resources were \$568,595 and \$504,068 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$64,527.

Total net position was \$383,695 and \$403,587 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$19,892, which resulted from the 2014 net loss which is all related to depreciation and a change in ARO estimate. Net investment in capital assets was \$151,967 and \$172,165 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$20,198. This decrease resulted from the decrease in electric plant, net of depreciation explained above. Unrestricted net position was \$231,728 and \$231,422 at December 31, 2014 and December 31, 2013, respectively, an increase of \$306.

Current liabilities were \$56,716 and \$25,935 at December 31, 2014 and December 31, 2013, respectively, an increase of \$30,781. This resulted from an increase in accounts payable and accrued expenses of \$31,575 and a decrease in payables to related parties of \$794.

Noncurrent liabilities were \$73,461 and \$74,546 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$1,085. Estimated ARO liabilities decreased

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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

\$1,085 due mainly to changes in the present value of obligations for the project, based on an independent analysis performed by an engineering firm hired by the project.

Deferred inflow of resources increased to \$54,723 at December 31, 2014 from \$0 at December 31, 2013. This was a result of rates and REC revenue received in excess of expenses incurred, intended to recover future expenses.

2013 vs. 2012

Total assets were \$504,068 and \$516,465 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$12,397. The decrease in 2013 total assets is due primarily to an increase in accumulated depreciation.

Electric plant, net of accumulated depreciation was \$172,165 and \$191,909 at year-end 2013 and 2012, respectively, a decrease of \$19,744. The decrease was the result of a decrease in ARO asset values of \$34 and an increase in accumulated depreciation of \$19,710. The cost associated with the asset retirement obligation included in the cost of electric plant for 2013 was \$27,684, versus \$27,718 in 2012. ARO obligations for OMEGA JV1 were prepared by an independent engineering consultant.

Regulatory assets were \$75,594 and \$72,340 at December 31, 2013 and December 31, 2012, respectively, an increase of \$3,254. Regulatory assets contain amounts for ARO expenses. These regulatory amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were \$181,763 and \$181,017 at December 31, 2013 and December 31, 2012, respectively, an increase of \$746. Compared to 2012 levels, cash and temporary investments and accrued interest receivable decreased \$58,243, accounts receivable increased \$10,384, inventory increased \$252, prepaid assets increased \$88 and current regulatory assets increased \$48,265.

Total net position and liabilities were \$504,068 and \$516,465 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$12,397.

Total net position was \$403,587 and \$423,426 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$19,839, which resulted from the 2013 net loss. Net investment in capital assets was \$172,165 and \$191,909 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$19,744. This decrease resulted from the decrease in electric plant, net of depreciation explained above. Unrestricted net position was \$231,422 and \$231,517 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$95.

Current liabilities were \$25,935 and \$21,840 at December 31, 2013 and December 31, 2012, respectively, an increase of \$4,095. This resulted from an increase in accounts payable of

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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\$3,295 and an increase in payables to related parties of \$515 and an increase in accruals of \$285.

Noncurrent liabilities were \$74,546 and \$71,199 as of December 31, 2013 December 31, 2012, respectively, an increase of \$3,347. This increase was due to the increase in the net present value of estimated ARO obligations for the project, based on an independent analysis performed by an engineering firm hired by the project.

The following table summarizes the changes in revenues, expenses and net position of OMEGA JV1 for the year ended December 31:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 455,961	\$ 379,759	\$ 208,132
Operating expenses	<u>479,409</u>	<u>402,996</u>	<u>255,149</u>
Operating Loss	<u>(23,448)</u>	<u>(23,237)</u>	<u>(47,017)</u>
Nonoperating revenue			
Investment income	86	86	171
Future recoverable costs	<u>3,470</u>	<u>3,312</u>	<u>5,543</u>
Nonoperating Revenue	<u>3,556</u>	<u>3,398</u>	<u>5,714</u>
Change in Net Position	<u>\$ (19,892)</u>	<u>\$ (19,839)</u>	<u>\$ (41,303)</u>

Operating results

Electric revenues in 2014 were \$455,961 versus \$379,759 in 2013 which is an increase of \$76,202. This increase is due to increases in capacity revenue of \$139,939 and generated revenue of \$71,138 offset by decreases in amounts recorded for deferred inflow of resources of \$134,873. Electric revenues in 2013 were \$379,759 versus \$208,132 in 2012 which is an increase of \$171,627. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating expenses in 2014 were \$479,409 versus \$402,996 in 2013 which is an increase of \$76,413. The increase in operating expenses in 2014 is due mainly to increases in capacity expense offset by decreases in fuel, maintenance, utilities and related party services. Operating expenses in 2013 were \$402,996 versus \$255,149 in 2012 which is an increase of \$147,847. The increase in operating expenses in 2013 is due to increases in capacity, utilities and Rice Neshap allocation, which were partially offset by decreases in fuel and maintenance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
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Investment income in 2014 was \$86 which is consistent with income earned in 2013. Investment income in 2013 was \$86 versus \$171 in 2012 which is a decrease of \$85. Investment income for OMEGA JV1 is interest earned on checking account balances and short term investments.

There were no distributions to participants of OMEGA JV1 in 2014 or 2013.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 107,045	\$ 72,772
Receivables from participants	88,867	19,225
Inventory	49,631	36,576
Regulatory assets	13,092	48,265
Prepaid expenses	5,468	4,925
Total Current Assets	264,103	181,763
NON-CURRENT ASSETS		
Electric Plant		
Electric generators	513,560	513,997
Fuel tank	35,000	35,000
Accumulated depreciation	(396,593)	(376,832)
Net Electric Plant	151,967	172,165
Other Assets		
Board designated funds	73,461	74,546
Regulatory assets	79,064	75,594
Total Non-Current Assets	304,492	322,305
TOTAL ASSETS	\$ 568,595	\$ 504,068
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,400	\$ 14,825
Payable to related parties	10,316	11,110
Total Current Liabilities	56,716	25,935
NONCURRENT LIABILITIES		
Asset retirement obligation	73,461	74,546
Total Noncurrent Liabilities	73,461	74,546
Total Liabilities	130,177	100,481
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	54,723	-
NET POSITION		
Net investment in capital assets	151,967	172,165
Unrestricted	231,728	231,422
Total Net Position	383,695	403,587
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 568,595	\$ 504,068

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Electric revenue	\$ 455,961	\$ 379,759
 OPERATING EXPENSES		
Related party services	96,349	111,017
Capacity	261,347	126,624
Depreciation	19,761	19,710
Accretion of asset retirement obligation	3,601	3,439
Fuel	10,210	44,501
Maintenance	12,476	13,948
Utilities	6,739	17,363
Insurance	21,136	20,904
Professional services	10,638	8,709
Other operating expenses	37,152	36,781
Total Operating Expenses	479,409	402,996
 Operating Loss	(23,448)	(23,237)
 NON-OPERATING REVENUES		
Investment income	86	86
Future recoverable costs	3,470	3,312
Total Non-Operating Revenues	3,556	3,398
 Change in net position	(19,892)	(19,839)
 NET POSITION, Beginning of Year	403,587	423,426
 NET POSITION, END OF YEAR	\$ 383,695	\$ 403,587

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 471,966	\$ 321,110
Cash paid to related parties for personnel services	(97,143)	(110,502)
Cash payments to suppliers and related parties for goods and services	(341,721)	(265,590)
Net Cash Provided by (Used In) Operating Activities	33,102	(54,982)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	86	86
Net Cash Provided by Investing Activities	86	86
Net Change in Cash and Cash Equivalents	33,188	(54,896)
CASH AND CASH EQUIVALENTS, Beginning of Year	147,318	202,214
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 180,506	\$ 147,318

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (23,448)	\$ (23,237)
Depreciation	19,761	19,710
Accretion of asset retirement obligation	3,601	3,439
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(69,642)	(10,384)
Regulatory assets	30,924	(48,265)
Deferred inflow of resources	54,723	-
Inventory	(13,055)	(252)
Prepaid expenses	(543)	(88)
Accounts payable and accrued expenses	31,575	3,580
Payable to related parties	(794)	515
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 33,102	\$ (54,982)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 107,045	\$ 72,772
Board designated funds	73,461	74,546
TOTAL CASH AND CASH EQUIVALENTS	\$ 180,506	\$ 147,318

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	\$ (437)	\$ (34)

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

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

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

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

OMEGA JV1 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

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

Inventory

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

Prepaid Expenses

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Electric Plant

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

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

Asset Retirement Obligations

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

Board Designated Funds

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Regulatory Assets

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

Regulatory assets consisted of the following at December 31:

	2014	2013
Future expenses related to fixed O&M	<u>\$ 13,092</u>	<u>\$ 48,265</u>
	2014	2013
Future expenses related to asset retirement obligations	<u>\$ 79,064</u>	<u>\$ 75,594</u>

Deferred Inflow of Resources

OMEGA JV1 records deferred inflows of resources (rates to be 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:

	2014	2013
Future expenses related to fixed O&M	<u>\$ 54,723</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Net Position

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

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

REVENUES AND EXPENSES

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

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards had no effect on OMEGA JV1's financial statements.

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,		Risks
	2014	2013	
Checking	\$ 180,506	\$ 147,318	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for accounts as of December 31, 2014 and 2013.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV1's deposits may not be returned to it. OMEGA JV1 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit as stated above. OMEGA JV1's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, there were no deposits or temporary investments exposed to custodial credit risk, as amounts do not exceed FDIC limits.

Credit Risk

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

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

As of December 31, 2014 and 2013, OMEGA JV1 had no investments with credit risk.

Interest Rate Risk

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

As of December 31, 2014 and 2013, OMEGA JV1 had no investments with interest rate risk.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – ELECTRIC PLANT

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

	2014			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	\$ 513,997	\$ -	\$ (437)	\$ 513,560
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	548,997	-	(437)	548,560
Less: Accumulated depreciation	(376,832)	(19,761)	-	(396,593)
Electric Plant, Net	\$ 172,165	\$ (19,761)	\$ (437)	\$ 151,967
	2013			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	\$ 514,031	\$ -	\$ (34)	\$ 513,997
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	549,031	-	(34)	548,997
Less: Accumulated depreciation	(357,122)	(19,710)	-	(376,832)
Electric Plant, Net	\$ 191,909	\$ (19,710)	\$ (34)	\$ 172,165

During 2014 and 2013, OMEGA JV1 recorded an adjustment to electric plant to reflect the revised estimate of the ARO (Note 4).

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

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

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

	2014			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 74,546	\$ 3,601	\$ (4,686)	\$ 73,461
	2013			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 71,199	\$ 3,439	\$ (92)	\$ 74,546

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 unit. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. OMEGA JV1 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2014 and 2013.

NOTE 5 – NET POSITION

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

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

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

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

The following calculation supports the net investment in capital assets:

	2014	2013
Plant in service	\$ 548,560	\$ 548,997
Accumulated depreciation	(396,593)	(376,832)
Total Net Investment in Capital Assets	\$ 151,967	\$ 172,165

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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

Many metropolitan and industrialized counties in Ohio have become nonattainment areas under the new fine particulate matter ambient air quality standards and will likely become a nonattainment area for ozone. This may require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Summit County has been designated a nonattainment area for fine particulate matter, therefore, the Ohio EPA may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV1 generating facilities.

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. The expenses related to these services were \$12,142 and \$12,435 for the years ended December 31, 2014 and 2013, respectively. OMEGA JV1's payables to AMP as of December 31, 2014 and 2013 were \$4,360 and \$5,918, respectively.
- As OMEGA JV1's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The cost of these services for the years ended December 31, 2014 and 2013 was \$84,207 and \$98,582, respectively. OMEGA JV1 had a payable to MESA for \$5,956 and \$5,192 at December 31, 2014 and 2013, respectively.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 – RELATED PARTY TRANSACTIONS (cont.)

- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of \$6,739 and \$17,363 for the years ended December 31, 2014 and 2013, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 2 as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of OMEGA JV2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV2's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") for the years ended December 31, 2014 and 2013. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statements of Net Position

	2014	2013	2012
Assets			
Electric Plant & Equipment, net of accumulated depreciation	\$ 18,054,182	\$ 21,075,074	\$ 23,293,330
Regulatory assets	1,451,887	1,437,015	1,359,567
Restricted assets	-	-	521,203
Board Designated Funds	-	1,139,344	1,420,860
Current assets	3,397,863	1,424,243	1,981,617
Total Assets	\$ 22,903,932	\$ 25,075,676	\$ 28,576,577
Net Position, Liabilities and Deferred Inflow of Resources			
Net investment in capital assets	\$ 18,054,182	\$ 21,075,074	\$ 23,293,330
Net position - restricted	-	-	521,203
Net position - unrestricted	1,702,708	1,709,936	2,368,713
Total net position	19,756,890	22,785,010	26,183,246
Current liabilities	829,784	399,260	597,225
Noncurrent liabilities	1,520,141	1,498,059	1,420,860
Deferred inflow of resources	797,117	393,347	375,246
Total Net Position, Liabilities and Deferred Inflow of Resources	\$ 22,903,932	\$ 25,075,676	\$ 28,576,577

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2014 vs. 2013

Total assets were \$22,903,932 and \$25,075,676 on December 31, 2014 and December 31, 2013, respectively, a decrease of \$2,171,744. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation and offset by an increase in accounts receivable from participants and related parties.

Electric plant and equipment, net of accumulated depreciation was \$18,054,182 and \$21,075,074 at year-end 2014 and 2013, respectively, a decrease of \$3,020,892. This decrease was the result of a \$3,032,852 increase in accumulated depreciation offset by an increase in ARO assets of \$11,960 increase in utility assets. The cost associated with the ARO included in the cost of electric plant for 2014 was \$823,325 versus \$811,365 in 2013. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Regulatory assets were \$1,973,885 and \$2,176,737 at December 31, 2014 and 2013, respectively, a decrease of \$202,852. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net position as the corresponding expense is realized.

Current assets were \$3,397,863 and \$1,424,243 as of December 31, 2014 and 2013, respectively, an increase of \$1,973,620. In 2014, operating cash increased \$838,322, as funds were transferred out of board designated funds as these funds are no longer under bond indenture restrictions. Accounts receivable increased \$1,306,025 due to billings to members, inventories increased \$51,232 and prepaid expenses decreased \$4,235 versus 2013 levels.

Total liabilities, deferred inflow of resources and net position were \$22,903,932 and \$25,075,676 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$2,171,744. This decrease was primarily the result of decreases in investment capital assets.

Total net position was \$19,756,890 and \$22,785,010 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$3,028,120. Net investment in capital assets was \$18,054,182 and \$21,075,074 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$3,020,892. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Unrestricted net position was \$1,702,708 and \$1,709,936 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$7,228.

Noncurrent liabilities, comprised entirely of ARO liabilities were \$1,520,141 and \$1,498,059 at December 31, 2014 and December 31, 2013, respectively, an increase of \$22,082. This was the result of the increase in for ARO liability versus 2013 levels. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Current liabilities were \$829,784 and \$399,260 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$430,524. This increase was primarily the result of increased accounts payable obligations to third party vendors.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

Deferred inflows of resources were \$797,117 and \$393,347 at December 31, 2014 and December 31, 2013, respectively, an increase of \$403,770. This was a result of an increase in overhaul maintenance amounts billed to participants which are intended to recover future expenses and capital improvements.

2013 vs. 2012

Total assets were \$25,075,676 and \$28,576,577 on December 31, 2013 and December 31, 2012, respectively, a decrease of \$3,500,901. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation and decrease in operating cash offset by an increase in regulatory assets.

Electric plant and equipment, net of accumulated depreciation was \$21,075,074 and \$23,293,330 at year-end 2013 and 2012, respectively, a decrease of \$2,218,256. This decrease was the result of a \$2,881,923 increase in accumulated depreciation and \$766,100 decrease in construction-in-process offset by a \$1,429,767 increase in utility assets. The cost associated with the ARO included in the cost of electric plant for 2013 was \$811,365 versus \$806,722 in 2012. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Regulatory assets were \$2,176,737 and \$1,359,567 at December 31, 2013 and 2012, respectively, an increase of \$817,170. Regulatory assets contain amounts deferred for ARO and operational and maintenance related expenses. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net position as the corresponding expense is realized.

Restricted assets totaled \$0 and \$521,203 at December 31, 2013 and December 31, 2012, respectively. This was a decrease of \$521,203 and was the result of the OMEGA JV2 financing members requesting their cash back to pay down their debt.

Current assets were \$1,424,243 and \$1,981,617 as of December 31, 2013 and 2012, respectively, a decrease of \$557,374. In 2013, cash decreased \$1,324,913, accounts receivable increased \$59,937, inventories decreased \$39,331 and prepaid expenses increased \$7,211 versus 2012 levels.

Total liabilities, deferred inflow of resources and net position were \$25,075,676 and \$28,576,577 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$3,500,901. This decrease was primarily the result decreases in investment capital and restricted assets.

Total net position was \$22,785,010 and \$26,183,246 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$3,398,236. Net investment in capital assets was \$21,075,074 and \$23,293,330 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$2,218,256. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net position was \$0 and \$521,203 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$521,203, as the result of the OMEGA JV2 financing members requesting their cash back to pay down their debt. Unrestricted net position was \$1,709,936 and \$2,368,713 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$658,777.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Noncurrent liabilities were \$1,498,059 and \$1,420,860 at December 31, 2013 and December 31, 2012, respectively, an increase of \$77,199. This was primarily a result of the \$86,536 increase in regulatory liabilities for ARO expenses versus 2012 levels. AROs were estimated to be \$1,498,059 and \$1,420,860 at year end 2013 and 2012, respectively.

Current liabilities were \$399,260 and \$597,225 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$197,965. This decrease was primarily the result of decreased accounts payable obligations to third party vendors.

Deferred inflows of resources were \$393,347 and \$375,246 at December 31, 2013 and December 31, 2012, respectively, an increase of \$18,101. This was a result of an increase in overhaul maintenance intended to be recovered in future costs.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 7,330,252	\$ 4,257,839	\$ 2,453,869
Operating expenses	<u>10,436,062</u>	<u>7,212,816</u>	<u>5,903,966</u>
Operating Loss	<u>\$ (3,105,810)</u>	<u>\$ (2,954,977)</u>	<u>\$ (3,450,097)</u>
Nonoperating revenue			
Investment income	\$ 587	\$ 4,425	\$ 2,972
Gain on insurance proceeds	-	-	319,680
Future recoverable costs	<u>77,103</u>	<u>73,519</u>	<u>111,917</u>
Non operating revenue	<u>77,690</u>	<u>77,944</u>	<u>434,569</u>
Loss before distributions	(3,028,120)	(2,877,033)	(3,015,528)
Distribution to related party	<u>-</u>	<u>(521,203)</u>	<u>-</u>
Change in Net Position	<u>\$ (3,028,120)</u>	<u>\$ (3,398,236)</u>	<u>\$ (3,015,528)</u>

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

Electric revenues in 2014 were \$7,330,252 versus \$4,257,839 in 2013, an increase of \$3,072,413 mainly due to the increase in amounts billed in rates to members for \$960,955 due to

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

higher energy rates billed in 2014 as compared to 2013. The increase in rates corresponded with an increase in projected expenses to be incurred by the project, as well as an increase in overhaul funds to be collected for future major maintenance. These rates were approved by the board of participants. Additionally, capacity sales increased \$3,519,287 due to higher capacity rates as determined by the auction process of the regional transmission organization. Electric revenues in 2013 were \$4,257,839 versus \$2,453,869 in 2012, an increase of \$1,803,970, mainly due to increases in capacity revenue earned by the project due to higher capacity rates.

OMEGA JV2 operating expenses in 2014 were \$10,436,062 versus \$7,212,816 in 2013, an increase of \$3,223,246. This increase in expenses was due mainly to an increase in capacity expense of \$3,515,517, offset by a decrease in fuel expense of \$184,605 and maintenance of \$267,055 due to decreases in operation experienced by the project. OMEGA JV2 operating expenses in 2013 were \$7,212,816 versus \$5,903,966 in 2012, an increase of \$1,308,850. Expense increases were primarily attributable to a change in capacity expense of \$1,310,872 along with increases in other operating expenses of \$329,856 and related party services of \$106,413, offset by decreases in maintenance expenses of \$418,380 and fuel expenses of \$81,444.

Investment income in OMEGA JV2 in 2014 was \$587 versus \$4,425 in 2013, a decrease of \$3,838. This decrease is due to cash amounts being held in checking accounts in 2014 as opposed to higher yielding investment accounts related to trust funds held in accordance with bond indentures in the previous year. Previously, funds were invested in short-term government backed securities, short-term commercial paper or within the trust agency's money market account. Investment income in OMEGA JV2 in 2013 was \$4,425 versus \$2,972 in 2012, an increase of \$1,453.

In 2013, \$521,203 of restricted assets was returned to American Municipal Power, Inc. ("AMP") for debt held by AMP related to OMEGA JV2. The distribution was authorized by the board of participants.

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, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 838,322	\$ -
Receivables from participants	894,756	227,053
Receivables from related parties	638,322	-
Regulatory Asset	521,998	739,722
Inventory	320,369	269,137
Prepaid expenses	<u>184,096</u>	<u>188,331</u>
Total Current Assets	<u>3,397,863</u>	<u>1,424,243</u>
NONCURRENT ASSETS		
Electric Plant and Equipment		
Electric generators	58,895,509	58,883,549
Accumulated depreciation	<u>(40,841,327)</u>	<u>(37,808,475)</u>
Net Electric Plant and Equipment	18,054,182	21,075,074
Other Assets		
Board designated funds	-	1,139,344
Regulatory assets	<u>1,451,887</u>	<u>1,437,015</u>
Total Non-Current Assets	<u>19,506,069</u>	<u>23,651,433</u>
TOTAL ASSETS	<u>\$ 22,903,932</u>	<u>\$ 25,075,676</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 730,313	\$ 261,539
Payable to related parties	<u>99,471</u>	<u>137,721</u>
Total Current Liabilities	<u>829,784</u>	<u>399,260</u>
NONCURRENT LIABILITIES		
Asset retirement obligations	<u>1,520,141</u>	<u>1,498,059</u>
Total Noncurrent Liabilities	<u>1,520,141</u>	<u>1,498,059</u>
Total Liabilities	<u>2,349,925</u>	<u>1,897,319</u>
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	<u>797,117</u>	<u>393,347</u>
NET POSITION		
Net investment in capital assets	18,054,182	21,075,074
Unrestricted	<u>1,702,708</u>	<u>1,709,936</u>
Total Net Position	<u>19,756,890</u>	<u>22,785,010</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 22,903,932</u>	<u>\$ 25,075,676</u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Electric revenue	\$ 7,330,252	\$ 4,257,839
OPERATING EXPENSES		
Related party services	917,768	953,400
Capacity	4,826,389	1,310,872
Depreciation	3,032,852	2,881,923
Accretion of asset retirement obligation	72,354	68,628
Fuel	291,203	475,808
Maintenance	416,688	683,743
Utilities	134,224	108,439
Insurance	355,264	353,589
Professional services	27,562	30,325
Other operating expenses	<u>361,758</u>	<u>346,089</u>
Total Operating Expenses	<u>10,436,062</u>	<u>7,212,816</u>
Operating Loss	<u>(3,105,810)</u>	<u>(2,954,977)</u>
NONOPERATING REVENUES		
Investment income	587	4,425
Future recoverable costs	<u>77,103</u>	<u>73,519</u>
Total Non-Operating Revenues	<u>77,690</u>	<u>77,944</u>
Loss before Distributions	<u>(3,028,120)</u>	<u>(2,877,033)</u>
DISTRIBUTION TO RELATED PARTY	<u>-</u>	<u>(521,203)</u>
Change in net position	(3,028,120)	(3,398,236)
NET POSITION, Beginning of Year	<u>22,785,010</u>	<u>26,183,246</u>
NET POSITION, END OF YEAR	<u>\$ 19,756,890</u>	<u>\$ 22,785,010</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 6,645,720	\$ 3,458,180
Cash paid to related parties for personnel services	(956,018)	(897,250)
Cash payments to suppliers and related parties for goods and services	<u>(5,991,311)</u>	<u>(3,512,759)</u>
Net Cash Used in Operating Activities	<u>(301,609)</u>	<u>(951,829)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>-</u>	<u>(659,025)</u>
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(659,025)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	<u>587</u>	<u>4,425</u>
Net Cash Provided by Investing Activities	<u>587</u>	<u>4,425</u>
 Net Change in Cash and Cash Equivalents	 (301,022)	 (1,606,429)
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>1,139,344</u>	 <u>2,745,773</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 838,322</u>	 <u>\$ 1,139,344</u>

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (3,105,810)	\$ (2,954,977)
Depreciation	3,032,852	2,881,923
Accretion of asset retirement obligation	72,354	68,628
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(667,703)	(59,937)
Receivables from related parties	(638,322)	-
Inventory	(51,232)	39,331
Prepaid expenses	4,235	(7,211)
Accounts payable and accrued expenses	468,774	(254,115)
Payable to related parties	(38,250)	56,150
Regulatory assets	217,723	(739,722)
Deferred inflow of resources	<u>403,770</u>	<u>18,101</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (301,609)</u>	<u>\$ (951,829)</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 838,322	\$ -
Board designated funds	<u>-</u>	<u>\$ 1,139,344</u>
Total Cash Accounts	<u>838,322</u>	<u>\$ 1,139,344</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 838,322</u>	<u>\$ 1,139,344</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	<u>\$ 11,960</u>	<u>\$ 4,643</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Deposits and Investments (cont.)

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

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

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

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

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, 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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Prepaid Expenses

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

Electric Plant and Equipment

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

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

Asset Retirement Obligations

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Board Designated Funds

Due to environmental regulations that may affect the operation of the units, OMEGA JV2's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation for the year ended December 31, 2013. These funds were not designated for the year ended December 31, 2014.

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:

	2014	2013
Future expenses related to fixed O&M	<u>\$ 521,998</u>	<u>\$ 739,722</u>
	2014	2013
Future expenses related to asset retirement obligations	<u>\$ 1,451,887</u>	<u>\$ 1,437,015</u>

Deferred Inflow of Resources

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

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

	2014	2013
Future expenses related to overhaul maintenance and fixed O&M	<u>\$ 797,117</u>	<u>\$ 393,347</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Net Position (cont.)

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

* Represents less than 0.01%

REVENUE AND EXPENSES

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

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

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards had no effect on OMEGA JV2's financial statements.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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		Risks
	2014	2013	
Checking	\$ 838,322	\$ 1,139,344	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for accounts as of December 31, 2014 and 2013.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, OMEGA JV2 had no investments with interest rate risk.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – ELECTRIC PLANT AND EQUIPMENT

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

	2014				
	Beginning Balance	Additions	Change in Estimate	Ending Balance	
Electric generators	\$ 58,883,549	\$ -	\$ 11,960	\$ 58,895,509	
Less: Accumulated depreciation	(37,808,475)	(3,032,852)	-	(40,841,327)	
Electric Plant and Equipment, Net	<u>\$ 21,075,074</u>	<u>\$ (3,032,852)</u>	<u>\$ 11,960</u>	<u>\$ 18,054,182</u>	
	2013				
	Beginning Balance	Additions	Adjustments	Change in Estimate	Ending Balance
Electric generators	\$ 57,453,782	\$1,425,124	\$ -	\$ 4,643	\$ 58,883,549
Construction Work-in-Progress	766,100	-	(766,100)	-	-
Total Electric Plant and Equipment in Service	58,219,882	1,425,124	(766,100)	4,643	58,883,549
Less: Accumulated depreciation	(34,926,552)	(2,881,923)	-	-	(37,808,475)
Electric Plant and Equipment, Net	<u>\$ 23,293,330</u>	<u>\$ (1,456,799)</u>	<u>\$ (766,100)</u>	<u>\$ 4,643</u>	<u>\$ 21,075,074</u>

During 2014 and 2013, OMEGA JV2 recorded an adjustment to electric plant and equipment to reflect the revised estimate of the ARO (Note 4).

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

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

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

	2014			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,498,059</u>	<u>\$ (50,272)</u>	<u>\$ 72,354</u>	<u>\$ 1,520,141</u>
	2013			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,420,860</u>	<u>\$ 8,571</u>	<u>\$ 68,628</u>	<u>\$ 1,498,059</u>

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit. OMEGA JV2 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2014 and 2013.

NOTE 5 – NET POSITION

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – NET POSITION (cont.)

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

The following calculation supports the net investment in capital assets:

	2014	2013
Electric Plant and Equipment Assets	\$ 58,072,184	\$ 58,072,184
Asset Retirement Obligation	823,325	811,365
Accumulated Depreciation	(40,841,327)	(37,808,475)
 Total Net Investment in Capital Assets	 \$ 18,054,182	 \$ 21,075,074

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 have become nonattainment areas under the new fine particulate matter ambient air quality standards and will likely become a nonattainment area for ozone. This may require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, nitrogen oxides and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Butler (Hamilton) and Medina (Seville) counties are non-attainment areas for fine particulate matter; therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the portions of the Project in these areas.

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services, including dispatching electrical control. The cost of these services for the years ended December 31, 2014 and 2013 was \$205,413 and \$200,049, respectively. OMEGA JV2's payables to AMP as of December 31, 2014 and 2013 were \$23,910 and \$94,941, respectively.
- As OMEGA JV2's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$712,355 and \$753,351 for the years ended December 31, 2014 and 2013, respectively. OMEGA JV2 had a payable to MESA for \$75,561 and \$42,780 at December 31, 2014 and 2013, respectively.
- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of \$134,224 and \$108,439 for these services for the years ended December 31, 2014 and 2013, respectively.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

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OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 4 as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of OMEGA JV4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV4's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the years ended December 31, 2014 and 2013. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statement of Net Position

	2014	2013	2012
Assets			
Transmission line, net of accumulated depreciation	\$ 1,082,823	\$ 1,176,598	\$ 1,274,873
Board designated funds	250,000	200,000	150,000
Current assets	<u>454,369</u>	<u>462,904</u>	<u>499,805</u>
Total Assets	<u>\$ 1,787,192</u>	<u>\$ 1,839,502</u>	<u>\$ 1,924,678</u>
Net Position, Liabilities and Deferred Inflow of Resources			
Net investment in capital assets	\$ 1,082,823	\$ 1,176,598	\$ 1,274,873
Net position - unrestricted	287,653	464,504	636,855
Current liabilities	15,817	11,325	12,950
Deferred inflow of resources	<u>400,899</u>	<u>187,075</u>	<u>-</u>
Total Net Position, Liabilities and Deferred Inflow of Resources	<u>\$ 1,787,192</u>	<u>\$ 1,839,502</u>	<u>\$ 1,924,678</u>

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2014 vs. 2013

Total assets were \$1,787,192 and \$1,839,502 as of December 31, 2014 and 2013, respectively, a decrease of \$52,310. The decrease in 2014 total assets is due to an increase in accumulated depreciation due to yearly depreciation expense, and a decrease in receivables of \$4,871 due to collections from members, offset by an increase in Board Designated Funds of \$50,000.

Transmission lines, net of accumulated depreciation were \$1,082,823 and \$1,176,598 at December 31, 2014 and 2013 respectively, a decrease of \$93,775. This decrease was a result of yearly depreciation recorded, offset by the purchase of an easement for \$4,500.

Current assets and board designated funds were \$704,369 and \$662,904 as of December 31, 2014 and 2013, respectively, an increase of \$41,465. This increase was mainly a result of an increase in maintenance reserve of \$50,000, transferred into the decommissioning fund as this is the yearly amount specifically earmarked for decommissioning of power lines offset by a \$5,605 decrease in operating cash and a \$4,871 decrease in accounts receivable due to collections from members.

Total net position, liabilities and deferred inflow of resources were \$1,787,192 and \$1,839,502 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$52,310.

Total net position was \$1,370,476 and \$1,641,102 as of December 31, 2014 and 2013, respectively, a decrease of \$270,626 which resulted from the operating loss of \$98,275 plus distributions to participants of \$172,351. Net investment in capital assets was \$1,082,823 and \$1,176,598 as of December 31, 2014 and 2013, respectively, which is a decrease of \$93,775. The decrease resulted from decrease in utility plant assets, due to depreciation offset by the purchase of an easement for \$4,500. Net position – unrestricted, was \$287,653 and \$464,504 as of December 31, 2014 and 2013, respectively, a decrease of \$176,851 due to distributions to members.

Current liabilities were \$15,817 and \$11,325 as of December 31, 2014 and 2013, respectively, an increase of \$4,492 due mainly to an increase in payables to related parties for MESA services for \$4,162.

Deferred inflows of resources were \$400,899 and \$187,075 at December 31, 2014 and December 31, 2013, respectively, an increase of \$213,824. This was a result of member billings in excess of operating and maintenance expense incurred.

2013 vs. 2012

Total assets were \$1,839,502 and \$1,924,678 as of December 31, 2013 and 2012, respectively, a decrease of \$85,176. This decrease in 2013 total assets is due primarily to accumulated depreciation due to yearly depreciation expense, offset by an increase in receivables.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Transmission lines, net of accumulated depreciation were \$1,176,598 and \$1,274,873 at December 31, 2013 and 2012 respectively, a decrease of \$98,275. This decrease was a result of yearly depreciation recorded.

Current assets and board designated funds were \$662,904 and \$649,805 as of December 31, 2013 and 2012, respectively, an increase of \$13,099. This increase was mainly a result of an increase in maintenance reserve of \$50,000, transferred into the decommissioning fund as this is the yearly amount specifically earmarked for decommissioning of power lines offset by a \$48,817 decrease in operating cash.

Total net position, liabilities and deferred inflow of resources were \$1,839,502 and \$1,924,678 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$85,176.

Total net position was \$1,641,102 and \$1,911,728 as of December 31, 2013 and 2012, respectively, a decrease of \$270,626 which resulted from the operating loss of \$100,133 plus distributions to participants of \$172,351. Net investment in capital assets was \$1,176,598 and \$1,274,873 as of December 31, 2013 and 2012, respectively, which is a decrease of \$98,275. The decrease resulted from decrease in utility plant assets, due to depreciation. Net position – unrestricted, was \$464,504 and \$636,855 as of December 31, 2013 and 2012, respectively, a decrease of \$172,351 due to distributions to members.

Current liabilities were \$11,325 and \$12,950 as of December 31, 2013 and 2012, respectively, a decrease of \$1,625 due to a decrease in accounts payable of \$1,900.

Deferred inflows of resources were \$187,075 and \$0 at December 31, 2013 and December 31, 2012, respectively, an increase of \$187,075. This was a result of an increase in operating and maintenance related regulatory balances.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 56,175	\$ 83,776	\$ 270,000
Operating expenses	<u>154,765</u>	<u>183,909</u>	<u>182,012</u>
Operating Income	<u>(98,590)</u>	<u>(100,133)</u>	<u>87,988</u>
Nonoperating revenues			
Investment income	<u>315</u>	<u>1,858</u>	<u>527</u>
Income Before Distributions	<u>(98,275)</u>	<u>(98,275)</u>	<u>88,515</u>
Distributions to participants	<u>172,351</u>	<u>172,351</u>	<u>172,351</u>
Change in Net Position	<u>\$ (270,626)</u>	<u>\$ (270,626)</u>	<u>\$ (83,836)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Amounts billed to customers in 2014 and 2013 were \$270,000. Total Operating revenues in 2014 were \$56,175, a decrease of \$27,601 from 2013 due to an increase in deferred inflow of resources recognized in the period due to an excess of billings to operating expenses incurred.

Operating expenses in 2014 were \$154,765 versus \$183,909 in 2013, which was a decrease of \$29,144. The decrease in operating expense in 2014 is mainly due to a decrease in maintenance expense of \$27,284 due to the maintenance for the project being deferred until 2015, offset by an increase in MESA services charged to the project for \$6,246. Total Operating expenses in 2013 were \$183,909 versus \$182,012 in 2012, which was an increase of \$1,897. The increase in operating expense in 2013 is mainly due to an increase in maintenance costs of \$13,847 offset by a decrease in MESA services of \$12,431.

Investment income in 2014 was \$315 versus \$1,858 in 2013, which was a decrease of \$1,543. The decrease was due to a decrease in interest earned on the investment. Investment income in 2013 was \$1,858 versus \$527 in 2012, which was an increase of \$1,331. The increase was due to an increase in interest rate earned on the investment.

In 2014, 2013 and 2012, \$172,351 was returned to the participants as a distribution of excess cash. The distribution was authorized by the board of participants.

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, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 420,743	\$ 426,348
Receivables	29,457	34,328
Prepaid expenses	4,169	2,228
Total Current Assets	454,369	462,904
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,645,438	2,640,938
Accumulated depreciation	(1,562,615)	(1,464,340)
Net Utility Plant	1,082,823	1,176,598
Other Assets		
Board designated funds	250,000	200,000
Total Non-Current Assets	1,332,823	1,376,598
TOTAL ASSETS	\$ 1,787,192	\$ 1,839,502
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accrued expenses	\$ 10,206	\$ 9,876
Payable to related parties	5,611	1,449
Total Current Liabilities	15,817	11,325
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	400,899	187,075
NET POSITION		
Net investment in capital assets	1,082,823	1,176,598
Unrestricted	287,653	464,504
Total Net Position	1,370,476	1,641,102
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 1,787,192	\$ 1,839,502

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Transmission revenue	\$ 56,175	\$ 83,776
OPERATING EXPENSES		
Related party personnel services	37,879	31,633
Depreciation	98,275	98,275
Maintenance	-	27,284
Professional services	10,222	9,932
Other operating expenses	8,389	16,785
Total Operating Expenses	154,765	183,909
Operating Loss	(98,590)	(100,133)
NONOPERATING REVENUES		
Investment income	315	1,858
Loss before Distributions	(98,275)	(98,275)
DISTRIBUTIONS TO PARTICIPANTS		
City of Bryan	(72,387)	(72,387)
Village of Pioneer	(51,705)	(51,705)
Village of Montpelier	(43,088)	(43,088)
Village of Edgerton	(5,171)	(5,171)
Total Distributions	(172,351)	(172,351)
Change in net position	(270,626)	(270,626)
NET POSITION, Beginning of Year	1,641,102	1,911,728
NET POSITION, END OF YEAR	\$ 1,370,476	\$ 1,641,102

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	\$ 274,870	\$ 259,023
Cash paid to related parties for personnel services	(33,717)	(33,534)
Cash paid to suppliers and related parties for goods and services	(20,222)	(53,813)
Net Cash Provided by Operating Activities	220,931	171,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(172,351)	(172,351)
Net Cash Used in Noncapital Financing Activities	(172,351)	(172,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(4,500)	-
Investment income received	315	1,858
Net Cash Provided by (Used in) Investing Activities	(4,185)	1,858
Net Change in Cash and Cash Equivalents	44,395	1,183
CASH AND CASH EQUIVALENTS, Beginning of Year	626,348	625,165
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 670,743	\$ 626,348
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (98,590)	\$ (100,133)
Depreciation	98,275	98,275
Changes in assets, liabilities and deferred inflow of resources		
Receivables	4,871	(11,828)
Prepaid expenses	(1,941)	(88)
Accrued expenses	330	276
Payable to related parties	4,162	(1,901)
Deferred inflow of resources	213,824	187,075
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 220,931	\$ 171,676
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 420,743	\$ 426,348
Board designated funds	250,000	200,000
TOTAL CASH AND CASH EQUIVALENTS	\$ 670,743	\$ 626,348

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 4 (“OMEGA JV4”) was organized by four subdivisions of the State of Ohio (the “Participants”) on December 1, 1995, pursuant to a Joint Venture Agreement (the “Agreement”) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Williams County Transmission Project (the “Project”). The Participants are members of American Municipal Power, Inc. (“AMP”). OMEGA JV4 owns and operates the Project. The Project consists of a 69 KV three-phase transmission line located in Williams County, Ohio. During 2014 and 2013 OMEGA JV4 derived a majority of its revenue from two customers. The Agreement continues until 60 days subsequent to the termination or disposition of the Project; provided, however, that each Participant shall remain obligated to pay to OMEGA JV4 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Deposits and Investments (cont.)

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

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

Receivables/Payables

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

Prepaid Expenses

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

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Utility Plant (cont.)

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.

Asset Retirement Obligations

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

Deferred Inflow of Resources

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

Net Position

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

REVENUE AND EXPENSES

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

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards had no effect on OMEGA JV4's financial statements.

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – CASH AND TEMPORARY INVESTMENTS (cont.)

	Carrying Value as of December 31,		Risks
	2014	2013	
Checking	\$ 670,743	\$ 626,348	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and noninterest bearing accounts as of December 31, 2014 and 2013.

Custodial Credit Risk

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, 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 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, 2014 and 2013, 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, 2014 and 2013, OMEGA JV4 had no investments with interest rate risk.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – UTILITY PLANT

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

	2014		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,640,938	\$ 4,500	\$ 2,645,438
Less: Accumulated depreciation	(1,464,340)	(98,275)	(1,562,615)
Utility Plant, Net	\$ 1,176,598	\$ (93,775)	\$ 1,082,823
	2013		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,640,938	\$ -	\$ 2,640,938
Less: Accumulated depreciation	(1,366,065)	(98,275)	(1,464,340)
Utility Plant, Net	\$ 1,274,873	\$ (98,275)	\$ 1,176,598

NOTE 4 – NET POSITION

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

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

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

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

The following calculation supports the net investment in capital assets:

	2014	2013
Plant in service	\$ 2,645,438	\$ 2,640,938
Accumulated depreciation	(1,562,615)	(1,464,340)
Total Net Investment in Capital Assets	\$ 1,082,823	\$ 1,176,598

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 2014 and 2013 was 100% derived from a nonparticipant. The contract with the nonparticipant can be cancelled on or after October 31, 2009 upon written notice six months prior to cancellation. As of December 31, 2014, no notice of cancellation had been received. A decision by the nonparticipant to purchase transmission service from a different provider would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. In 2014 AMP issued a credit of \$7,485 to OMEGA JV4 for maintenance services that were performed and billed in excess in 2013. The expenses related to these services \$27,284 as of December 31, 2013. OMEGA JV4 had a payable of \$3,583 due to AMP as of December 21, 2014 and \$0 as of December 31, 2013.
- 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. The expenses related to these services were \$37,879 and \$31,633 for the years ended December 31, 2014 and 2013, respectively. OMEGA JV4 had a payable to MESA of \$2,028 and \$1,449 at December 31, 2014 and 2013, respectively.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4"), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

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OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of OMEGA JV5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV5's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (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, 2014 and 2013. 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.

	2014	2013	2012
Assets and Deferred Outflow of Resources			
Restricted assets - current	\$ -	\$ 7,759,990	\$ 7,642,061
Other current assets	<u>4,163,404</u>	<u>7,800,793</u>	<u>8,686,262</u>
Total current assets	4,163,404	15,560,783	16,328,323
Restricted assets - noncurrent	3,009,612	3,334,810	3,321,816
Electric plant and land	113,787,195	118,173,628	122,843,745
Other assets	3,140,362	2,719,789	1,570,767
Deferred outflow of resources	<u>-</u>	<u>1,758,060</u>	<u>2,078,852</u>
Total assets and deferred outflow of resources	<u>\$ 124,100,573</u>	<u>\$ 141,547,070</u>	<u>\$ 146,143,503</u>
Net Position, Liabilities, and Deferred			
 Inflow of Resources			
Net investment in capital assets	\$ 27,191,666	\$ 14,328,334	\$ 15,201,554
Net position - restricted	3,009,612	8,422,462	8,180,301
Net position - unrestricted	(27,213,391)	(12,978,833)	(13,609,892)
Net beneficial interest certificates	28,916,056	100,248,354	104,616,043
Note payable	49,920,890	-	-
Current liabilities	9,218,007	9,775,847	9,683,963
Noncurrent liabilities	1,054,898	92,118	73,932
Deferred inflow of resources	<u>32,002,835</u>	<u>21,658,788</u>	<u>21,997,602</u>
Total net position, liabilities, and deferred inflow of resources	<u>\$ 124,100,573</u>	<u>\$ 141,547,070</u>	<u>\$ 146,143,503</u>

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2014 vs. 2013

Total assets and deferred outflow of resources were \$124,100,573 and \$141,547,070 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$17,446,497. The decrease was due to restricted assets – funds held by trustee, cash and temporary investments that were liquidated and used to repay the 2004 Certificates called on February 15, 2014. Additionally, yearly depreciation reduced the total asset balance by depreciation expense of \$4,701,065. These decreases were partially offset by an increase in regulatory assets and receivables from related parties.

Total current assets were \$4,163,404 and \$15,560,783 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$11,397,379. This is due to decreases of \$7,759,990 in restricted assets – funds held by trustee and \$4,277,197 in cash and temporary investments partially offset by an increase in receivables from related parties of \$567,318. Restricted assets – funds held by trustee were funds held in accordance with the 2004 Certificates bond indenture agreement. These investments as well as cash on hand were used to repay amounts outstanding on the 2004 Certificates when these were called on February 15, 2014.

Utility plant assets were \$113,787,195 and \$118,173,628 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$4,386,433. Utility plant assets decreased as a result of depreciation. This amount was offset by an increase in ARO assets that were recorded during the year. In 2014, OMEGA JV5 estimated an ARO of \$314,632. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2014. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2014.

Noncurrent restricted assets were \$3,009,612 and \$3,334,810 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$325,198. These amounts at December 31, 2014 represent amounts in the Reserve and Contingency Fund that are held in accordance with the 2001 Certificates bond indenture. This amount was reduced in 2014 to repay the 2004 certificates as the Reserve and Contingency Fund amounts held in accordance with the 2004 Certificates bond indenture are no longer required and were used to repay the 2004 Certificates called during the year.

Other assets were \$3,140,362 and \$2,719,789 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$420,573. The increase is due to a regulatory asset debt service increase of \$852,519 offset by decreased prepaid bond insurance of \$431,946. The amount of prepaid bond insurance that related to the 2004 Certificates, called during the year was fully amortized by December 31, 2014.

Deferred outflow of resources were \$0 and \$1,758,060 as of December 31, 2014 and December 31, 2013, respectively a decrease of \$1,758,060. This decrease is related to the amortization of the 1993 bond defeasance, which arose when that amount was called and the 2004 Certificates were issued. This amount was fully amortized by December 31, 2014 as this amount related fully to the 2004 Certificates called during the year.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

Total net position, liabilities, and deferred inflow of resources were \$124,100,573 and \$141,547,070 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$17,446,497.

Net position was \$2,987,887 and \$9,771,963 at December 31, 2014 and December 31, 2013.

Net Beneficial Interest Certificates less current portion were \$28,916,056 and \$100,248,354 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$71,332,298. This reduction is mainly due to the full repayment of the 2004 Certificates during 2014 in the amount of \$76,345,000, as well as a full amortization of the premium on the 2004 certificates of \$1,877,341. On February 15, 2014, all of the 2004 Certificates were redeemed from funds held under the trust agreement securing the 2004 Certificates and the proceeds of a note issued by AMP to OMEGA JV5.

Note payable less current portion was \$49,920,890 and \$0 at December 31, 2014 and December 31, 2013, respectively, an increase of \$49,920,890. On February 15, 2014, all of the 2004 Certificates were redeemed from funds held under the trust agreement securing the 2004 Certificates and the proceeds of a note issued to AMP by OMEGA JV5. OMEGA JV5 made monthly principal payments on the promissory note during the year and the resulting long term portion is \$49,920,890 at December 31, 2014.

Current liabilities were \$9,218,007 and \$9,775,847 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$557,840. This was due mainly to increases in the current portion of the note payable to AMP. This amount is the portion due within one year on the note issued by AMP to OMEGA JV5 used to repay the 2004 Certificates. The amount is due in 2015 based on the debt service collection plan approved by project participants in 2014. This increase was offset by decreases in accrued interest of \$1,402,515 due on the 2004 Certificates in the prior year that were called in the current year. Additionally, debt service collected to be reimbursed to members collected in accordance with the 2004 Certificates bond indenture was reduced as that was refunded to participants in 2014 and will not occur again as this debt was called in 2014.

Noncurrent liabilities were \$1,054,898 and \$92,118 at December 31, 2014 and December 31, 2013, respectively, an increase of \$962,780. This was the result of an increase in accrued license fees and asset retirement obligation. The accrued license fees increased \$648,148 due to the timing of payments of yearly fees to the Federal Energy Regulatory Commission. Additionally, in 2014, OMEGA JV5 estimated an ARO liability and corresponding asset of \$314,632. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2014.

Deferred inflow of resources was \$32,002,835 and \$21,658,788 as of December 31, 2014 and December 31, 2013, respectively an increase of \$10,344,047. This was primarily the result of deferred inflow of resources recorded relating to debt that was subsequently refinanced for \$9,023,194. Additionally, amounts collected for long term operating and maintenance billing added to this amount for \$1,320,853.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2013 vs. 2012

Total assets and deferred outflow of resources were \$141,547,070 and \$146,143,503 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$4,596,433. The decrease was due to accumulated depreciation, write off issuance costs and billing /elimination of the 2012 Regulatory Asset. These decreases were partially offset by an increase in O&M Fixed and Debt Service Regulatory Assets.

Total current assets were \$15,560,783 and \$16,328,323 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$767,540. Due to decrease of \$1,312,283 in 2012 Regulatory Asset (Billing) offset by a \$514,461 increase in cash and temporary investments.

Utility plant assets were \$118,173,628 and \$122,843,745 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$4,670,117. Utility plant assets decreased as a result of depreciation. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2013.

Noncurrent restricted assets were \$3,334,810 and \$3,321,816 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$12,994. The classification of restricted assets into current and noncurrent categories reflects the timing of anticipated payments from the Certificate Payment Fund and the Reserve and Contingency Fund.

Other assets were \$2,719,789 and \$1,570,767 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$1,149,022. The increase is due to the addition of 2 regulatory assets - \$1,903,694 (O&M Fixed), \$161,770 (Debt Service). The additions were offset by decreases in prepaid bond insurance of \$91,195 and write off issuance costs of \$825,246.

Deferred outflow of resources were \$1,758,060 and \$2,078,852 as of December 31, 2013 and December 31, 2012, respectively a decrease of \$320,792. This decrease is related to the amortization of the 1993 bond defeasance.

Total net position, liabilities, and deferred inflow of resources were \$141,547,070 and \$146,143,503 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$4,596,433.

Net position was \$9,771,963 and \$9,771,963 at December 31, 2013 and December 31, 2012.

Net Beneficial Interest Certificates less current position were \$100,248,354 and \$104,616,043 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$4,367,689. This was primarily due to a principal payment made in 2013 on the 2004 Beneficial Interest Certificates of \$5,105,000 partially offset by the amortization of the unamortized discount of the 2001 bonds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

Current liabilities were \$9,775,847 and \$9,683,963 at December 31, 2013 and December 31, 2012, respectively, an increase of \$91,884. This was due mainly to decreases in payables and accruals of \$186,449. These decreases were offset by \$250,000 increase in 2004 Bond Principal payment due for 2014.

Noncurrent liabilities were \$92,118 and \$73,932 at December 31, 2013 and December 31, 2012, respectively, an increase of \$18,186. This was primarily the result of an increase in accrued license fees of \$18,186.

Deferred inflow of resources were \$21,658,788 and \$21,997,602 as of December 31, 2013 and December 31, 2012, respectively a decrease of \$338,814. This was a result of a decrease in operating and maintenance related regulatory rates intended to recover future expenses.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2014	2013	2012
Operating revenues	\$ 13,531,564	\$ 22,506,356	\$ 22,485,574
Operating expenses	<u>17,748,175</u>	<u>16,493,360</u>	<u>17,914,638</u>
Operating income	<u>(4,216,611)</u>	<u>6,012,996</u>	<u>4,570,936</u>
Nonoperating income and expense			
Investment income	356,079	28,219	26,376
Interest Expense	(4,368,941)	(6,416,305)	(5,791,106)
Amortization	<u>1,445,395</u>	<u>375,090</u>	<u>344,642</u>
Total nonoperating income/(expense)	<u>(2,567,467)</u>	<u>(6,012,996)</u>	<u>(5,420,088)</u>
Change in net position	<u>\$ (6,784,078)</u>	<u>\$ -</u>	<u>\$ (849,152)</u>

Operating results

Operating revenues were \$13,531,564 in 2014, a decrease of \$8,974,792 over 2013. Revenue billed to members increased \$1,727,335 to \$23,199,568 from \$21,472,233. This amount increased due to increases in variable revenue collected of \$564,496 due to increased energy production in 2014 as compared to 2013. Also, amounts for renewable energy certificates and capacity sales increased \$1,606,978.

The increase in revenues billed to members was offset by amounts recorded due to deferred inflow of resources recorded in 2014 related to debt service collected in excess of refinanced debt in the amount of \$9,023,194. This amount was recorded to match amounts billed to participants for operating assets, the value of those assets and the corresponding debt associated with those assets. This amount fluctuated in the current year because the 2004

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

certificates were called on February 15, 2014. The 2004 certificates were repaid using trustee cash, funds on hand and a note issued by AMP to OMEGA JV5.

Operating revenues were \$22,506,356 in 2013, an increase of \$20,782 from 2012 operating revenue of \$22,485,574. The increase in revenues was primarily due to an increase in balances relating to operations of \$144,529 offset by a decrease in variable O&M revenue of \$446,917.

Operating expenses were \$17,748,175 in 2014, an increase of \$1,254,815 from 2013. This increase was primarily the result of an increase in capacity expense of \$666,250 due to higher capacity prices in 2014 as compared to 2013, and increased purchased power of \$514,252 due to increased transmission costs which were offset by decreases in maintenance of \$484,719 due to major maintenance performed in 2013 that was not performed in 2014.

Operating expenses were \$16,493,360 in 2013, a decrease of \$1,421,278 from 2012. This decrease was primarily the result of a decrease in purchased power of \$2,828,040 which was offset by increases in maintenance of \$339,475, MESA services of \$125,027, RICE-NESHAP and General Fund allocations of \$159,250.

Non-Operating expense totaled \$2,567,467 in 2014 and \$6,012,996 in 2013, respectively, a decrease of \$3,445,529. This decrease was caused primarily by a decrease in interest expense in 2014 as the 2004 certificates were called on February 15, 2014 using trustee cash, cash on hand and a note issued by AMP to OMEGA JV5. This transaction reduced both the principal of debt outstanding on which interest is charged and the interest rate on the debt.

Non-Operating expense totaled \$6,012,996 in 2013 and \$5,420,088 in 2012, respectively, an increase of \$592,908. This increase was caused primarily by an increase in interest expense in 2013.

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

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

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

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and temporary investments	\$ 2,141,427	\$ 6,418,624
Restricted assets - funds held by trustee	-	7,759,990
Receivables from participants	1,061,593	924,218
Receivables from related parties	577,318	10,000
Regulatory asset	-	119,298
Accrued interest receivable	63,734	-
Inventory	113,484	119,784
Prepaid expenses	205,848	208,869
Total Current Assets	4,163,404	15,560,783
NONCURRENT ASSETS		
Restricted Assets		
Restricted assets - funds held by trustee	3,009,612	3,334,810
Electric Plant and Land		
Electric plant in service	186,667,035	186,352,403
Land	431,881	431,881
Accumulated depreciation	(73,311,721)	(68,610,656)
Net Electric Plant and Land	113,787,195	118,173,628
Other Assets		
Prepaid bond insurance, net	222,379	654,325
Regulatory asset	2,917,983	2,065,464
Total Noncurrent Assets	119,937,169	124,228,227
DEFERRED OUTFLOW OF RESOURCES		
Unamortized defeasance costs	-	1,758,060
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	1,758,060
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 124,100,573	\$ 141,547,070

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

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,320,867	\$ 1,589,938
Payable to related parties	138,557	158,571
Note payable - current	7,758,583	-
Liabilities Payable From Restricted Assets		
Accrued interest	-	1,402,515
Debt service collected to be reimbursed to members	-	1,269,823
Beneficial interest certificates, current	-	5,355,000
Total Current Liabilities	9,218,007	9,775,847
NONCURRENT LIABILITIES		
Accrued license fees	740,266	92,118
Note payable	49,920,890	-
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(27,208,944)	(28,743,987)
Asset retirement obligation	314,632	-
2004 beneficial interest refunding certificates	-	70,990,000
Unamortized premium	-	1,877,341
Total Noncurrent Liabilities	79,891,844	100,340,472
Total Liabilities	89,109,851	110,116,319
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	32,002,835	21,658,788
TOTAL DEFERRED INFLOW OF RESOURCES	32,002,835	21,658,788
NET POSITION		
Net investment in capital assets	27,191,666	14,328,334
Restricted	3,009,612	8,422,462
Unrestricted	(27,213,391)	(12,978,833)
Total Net Position	2,987,887	9,771,963
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 124,100,573	\$ 141,547,070

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Electric revenue	\$ 13,531,564	\$ 22,506,356
 OPERATING EXPENSES		
Purchased power	6,631,131	6,116,879
Capacity	1,303,591	637,341
Related party services	1,508,520	1,304,281
Depreciation	4,701,065	4,670,117
Maintenance	941,163	1,425,882
Utilities	215,126	167,165
Insurance	405,986	412,131
Professional services	62,245	69,295
Payment in lieu of taxes	840,000	840,000
Other operating expenses	1,139,346	850,269
Total Operating Expenses	17,748,173	16,493,360
 Operating Income (Loss)	(4,216,609)	6,012,996
 NONOPERATING INCOME AND EXPENSE		
Investment income	356,079	28,219
Interest expense	(4,368,941)	(6,416,305)
Amortization of insurance	(431,946)	(91,196)
Amortization of premium	1,877,341	466,286
Total Nonoperating Expense	(2,567,467)	(6,012,996)
 Change in net position	(6,784,076)	-
 NET POSITION, Beginning of Year	9,771,963	9,771,963
 NET POSITION, END OF YEAR	\$ 2,987,887	\$ 9,771,963

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 22,437,697	\$ 21,487,699
Cash paid to related parties for personnel services	(1,528,534)	(1,233,598)
Cash payments to suppliers and related parties for goods and services	(11,150,190)	(10,604,028)
Net Cash Provided by Operating Activities	9,758,973	9,650,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on beneficial interest certificates	(76,345,000)	(5,105,000)
Interest payments on beneficial interest certificates	(1,897,700)	(3,923,024)
Proceeds from issuance of note payable to related party	65,891,509	-
Principal payments on note payable to related party	(8,212,036)	-
Interest payments on note payable to related party	(580,653)	-
Proceeds from debt service to be refunded to members	232,270	1,269,823
Payment of debt service refunded to members	(1,502,093)	(1,274,707)
Net Cash Used in Capital and Related Financing Activities	(22,413,703)	(9,032,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,168,517)	(4,772,381)
Investments sold and matured	9,253,708	4,641,458
Investment income received	292,343	28,219
Net Cash Provided by (Used in) Investing Activities	8,377,534	(102,704)
Net Change in Cash and Cash Equivalents	(4,277,196)	514,461
CASH AND CASH EQUIVALENTS, Beginning of Year	6,418,624	5,904,163
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,141,427	\$ 6,418,624

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (4,216,609)	\$ 6,012,996
Noncash items in operating income		
Depreciation	4,701,065	4,670,117
Changes in assets and liabilities		
Receivables from participants	(137,375)	73,338
Receivables from related parties	(567,318)	590
Regulatory asset	(733,221)	(753,181)
Inventory	6,300	18,853
Prepaid expenses	3,021	(5,134)
Deferred inflows	10,344,047	(338,814)
Accounts payable and accrued expenses	(269,071)	(116,971)
Payable to related parties	(20,014)	70,093
Accrued license fees	648,148	18,186
	<u>\$ 9,758,973</u>	<u>\$ 9,650,073</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 2,141,427	\$ 6,418,624
Funds held by trustee	3,009,612	11,094,800
Total Cash Accounts	5,151,039	17,513,424
Less Non-cash equivalents	(3,009,612)	(11,094,800)
	<u>\$ 2,141,427</u>	<u>\$ 6,418,624</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	\$ 314,633	\$ -

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont.)

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

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

Deposits and Investments

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

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

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

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

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

Receivables/Payables

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Inventory

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

Restricted Assets

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

Prepaid Expenses

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

OMEGA JV5 Plant

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

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

Asset Retirement Obligations

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV5 determined in 2014 that there is an asset retirement obligation associated with the back-up diesel units.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

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.

Deferred Outflow of Resources

OMEGA JV5 records deferred outflows of resources related to the unamortized cost from the defeasance of the 1993 beneficial interest certificates. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Net Position (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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	<u>42,000</u>	<u>100.00%</u>

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 2014 or 2013.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards had no impact on OMEGA JV5's financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying Value as of		Risks
	December 31,		
	2014	2013	
Checking/Money Market Funds	\$ 5,148,257	\$ 6,418,624	Custodial credit
Government Money Market Mutual Fund	782	1,319	Credit, interest rate
Commercial Paper	2,000	11,093,481	Credit, interest rate, custodial credit, concentration of credit
Total Cash, Cash Equivalents, and Investments	\$ 5,151,039	\$ 17,513,424	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for accounts as of December 31, 2014 and 2013.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5's deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, 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, 2014 and 2013, OMEGA JV5's investments were exposed to custodial credit risk as follows:

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	\$ 2,000	\$ 2,000	\$ 11,093,481	\$ 11,093,481

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.

As of December 31, 2014, OMEGA JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	Aaa
Commercial Paper	A-1	P-1

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2013, OMEGA JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	Aaa
Commercial Paper	A-1	P-1

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.

At December 31, 2014 and 2013, OMEGA JV5's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2014	2013
Abbey Bank	Commercial Paper	50.00%	47.48%
Credit Agricole	Commercial Paper	-	-
Natixis Financial	Commercial Paper	-	52.52%
Credit Suisse	Commercial Paper	50.00%	-

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.

As of December 31, 2014, OMEGA JV5 investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Abbey Bank	2/17/2015	48	\$ 1,000
Credit Suisse Financial	2/17/2015	48	1,000
Government Money Market Mutual Fund	n/a	55	782
			\$ 2,782

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2013, OMEGA JV5's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Abbey Bank	2/18/2014	48	\$ 5,266,789
Natixis Financial	2/18/2014	48	5,826,692
Government Money Market Mutual Fund	n/a	55	<u>1,319</u>
			<u>\$ 11,094,800</u>

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, 2014 and 2013, 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:

	2014	2013
Restricted Assets		
Certificate payment fund	\$ -	\$ 7,759,990
Reserve and contingency fund	<u>3,009,612</u>	<u>3,334,810</u>
	3,009,612	11,094,800
Less:		
Current Liabilities Payable From Restricted Assets	<u>-</u>	<u>(2,672,338)</u>
Total Restricted Net Position	<u>\$ 3,009,612</u>	<u>\$ 8,422,462</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – UTILITY PLANT

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

	2014			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric Plant and Equipment	\$186,352,403	-	\$314,632	\$186,667,035
Land	431,881	-	-	431,881
Total Utility Plant in Service	186,784,284	-	314,632	187,098,916
Less: Accumulated depreciation	(68,610,656)	(4,701,065)	-	(73,311,721)
Utility Plant, Net	\$118,173,628	\$(4,701,065)	314,632	\$113,787,195
	2013			
	Beginning Balance	Additions	Disposals	Ending Balance
Electric Plant and Equipment	\$186,352,403	-	-	\$186,352,403
Land	431,881	-	-	431,881
Total Utility Plant in Service	186,784,284	-	-	186,784,284
Less: Accumulated depreciation	(63,940,539)	(4,670,117)	-	(68,610,656)
Utility Plant, Net	\$122,843,745	\$(4,670,117)	-	\$118,173,628

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.

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid \$1,264,718 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 United States Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and interest on the 2004 Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost was being amortized over the maturities of the 2004 Certificates, and was fully amortized by December 31, 2014 as the 2004 Certificates were called on February 15, 2014.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – PREPAID BOND INSURANCE (cont.)

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid \$325,834 to Ambac Assurance Corporation for the purchase of a financial guaranty insurance policy. In consideration for the payment of the premium and subject to the terms of the policy, Ambac Assurance Corporation agrees to pay to The Bank of New York, as trustee, or its successor, that portion of the principal and interest on the 2004 Certificates, which becomes due for payment, but shall be unpaid, due to nonpayment by OMEGA JV5. This cost was being amortized over the maturities of the 2004 Certificates, and was fully amortized by December 31, 2014 as the 2004 Certificates were called on February 15, 2014.

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

		2014		
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ -	\$ 530	\$ 314,102	\$ 314,632

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. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2014.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE

In February, 2004 OMEGA JV5 issued 2004 Beneficial Interest Refunding Certificates (“2004 Certificates”) totaling \$116,910,000 for the purpose of refunding the principal of the outstanding 1993 Beneficial Interest Certificates (“1993 Certificates”) due in the years 2005 through 2024. The 2004 Certificates were sold at a premium of \$7,674,145.

OMEGA JV5 paid a redemption premium of \$1,313,550 to redeem the 1993 Certificates. The difference between the reacquisition price of \$132,668,550 and the net carrying amount of the 1993 Certificates, including unamortized discount and issuance costs, of \$126,112,000, is deferred and amortized as a component of interest expense over the life of the 2004 Certificates.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

OMEGA JV5 refunded the 1993 Certificates to reduce the total debt service payments through 2024 by approximately \$24,000,000 and to obtain an economic gain (difference between the present value of the debt service payments on the 1993 Certificates and the 2004 Certificates) of \$18,593,150.

On February 15, 2014, all of the 2004 Certificates were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a note issued to AMP by OMEGA JV5. The resulting balance was reduced at February 28, 2014 to \$65,891,509. The resulting promissory note has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full

The 2001 Beneficial Interest Certificates (the “2001 Certificates”) outstanding at December 31, 2014 are as follows:

<u>Maturity Date</u> <u>February 15,</u>	<u>Maturity</u> <u>Amount</u>	<u>Yield to</u> <u>Maturity</u>
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	<u>2,000,000</u>	5.56
Sub-Total	<u>56,125,000</u>	
Less: Unamortized discount	<u>(27,208,944)</u>	
Total	<u>\$ 28,916,056</u>	

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Based upon unaudited financial information for the years ended December 31, 2014 and 2013, one and two participants, respectively, were not able to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

The principal of and interest on this promissory note shall be payable in monthly installments on the twentieth day of each calendar month, beginning February 20, 2014, with such payments to be credited first to the interest then due and payable and the balance, if any, to be credited against the unpaid principal of this promissory note, with the balance of the principal, if not theretofore paid, due on February 15, 2024.

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2001 Certificates and note payable at December 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 7,758,583	\$ 719,109	\$ 8,477,692
2016	8,386,182	766,282	9,152,464
2017	9,196,002	714,452	9,910,454
2018	9,927,111	601,449	10,528,560
2019	10,099,764	428,796	10,528,560
2020 – 2024	12,311,831	208,438	12,520,269
2025 – 2029	54,125,000	-	54,125,000
2030	2,000,000	-	2,000,000
	<u>\$ 113,804,473</u>	<u>\$ 3,438,526</u>	<u>\$ 117,242,999</u>
Totals	<u>\$ 113,804,473</u>	<u>\$ 3,438,526</u>	<u>\$ 117,242,999</u>

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

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Carrying Value</u>	<u>Estimated Fair Value</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Long-term debt, including current maturities:				
2001 Certificates	\$ 28,916,056	\$ 37,446,648	\$ 27,381,013	\$ 21,145,605
2004 Certificates	-	-	76,345,000	74,969,353

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(28,743,987)	-	1,535,043	(27,208,944)
	27,381,013	-	1,535,043	28,916,056
2004 certificates	76,345,000	-	(76,345,000)	-
Less: Current maturities	(5,355,000)	-	5,355,000	-
Unamortized premium	1,877,341	-	(1,877,341)	-
	72,867,341	-	(72,867,341)	-
Note payable	-	65,891,509	(8,212,036)	57,679,473
Less: Current maturities	-	(7,758,583)	-	(7,758,583)
	-	58,132,926	(8,212,036)	49,920,890
Asset retirement obligation	-	314,632	-	314,632
Accrued license fees	92,118	648,148	-	740,266
	-	-	-	-
Totals	\$ 100,340,472	\$ 59,095,706	\$ (79,544,334)	\$ 79,891,844

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(30,197,583)	-	1,453,596	(28,743,987)
	25,927,417	-	1,453,596	27,381,013
2004 certificates	81,450,000	-	(5,105,000)	76,345,000
Less: Current maturities	(5,105,000)	(5,355,000)	5,105,000	(5,355,000)
Unamortized premium	2,343,625	-	(466,284)	1,877,341
	78,688,625	(5,355,000)	(466,284)	72,867,342
Accrued license fees	73,932	18,186	-	92,118
	-	-	-	-
Totals	\$ 104,689,974	\$ (5,336,814)	\$ 987,312	\$ 100,340,472

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

Deferred inflow of resources at December 31 is as follows:

	2014	2013
Debt service billed to Participants for Certificates in excess of related expenses	\$ 30,207,171	\$ 19,640,395
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,428,658	1,651,387
Inventories billed to Participants	367,006	367,006
Total Deferred Inflow of Resources	\$ 32,002,835	\$ 21,658,788

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	2014	2013
Plant assets	\$ 186,667,035	\$ 186,352,403
Land	431,881	431,881
Accumulated depreciation	(73,311,721)	(68,610,656)
Sub-Totals	113,787,195	118,173,628
Related debt:		
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount – 2001 Beneficial interest certificates	(27,208,944)	(28,743,987)
2004 beneficial interest certificates	-	70,990,000
Note payable	57,679,473	-
Unamortized premium – 2004 Beneficial interest certificates	-	1,877,341
Unamortized defeasance costs – 1993 Beneficial interest certificates	-	(1,758,060)
Current portion – Beneficial interest certificates	-	5,355,000
Sub-Totals	86,595,529	103,845,294
Total Net Investment In Capital Assets	\$ 27,191,666	\$ 14,328,334

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. The OMEGA JV5 engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV5 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at \$100,000 to \$300,000.

Many metropolitan and industrialized counties in Ohio have become non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This may require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter. In addition to emissions reductions required to achieve compliance in down-wind, neighboring states. Medina (Wadsworth) County is a non-attainment area for fine particulate matter; therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV5 backup generation facilities in this area.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 9 – COMMITMENTS AND CONTINGENCIES (cont.)

OTHER COMMITMENTS

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

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There were no significant reductions in coverage in 2014.

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2014 and 2013 was \$396,110 and \$160,289, respectively. OMEGA JV5's payables to AMP as of December 31, 2014 and 2013 were \$23,357 and \$59,236, respectively.
- As OMEGA JV5's agent, AMP purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2014 and 2013 amounted to \$4,487,086 and \$4,225,152, respectively. OMEGA JV5's receivable from AMP as of December 31, 2014 was \$577,318 and \$0 receivable at December 31, 2013.
- As OMEGA JV5's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was \$1,112,410 and \$1,143,992 for the years ended December 31, 2014 and 2013, respectively. OMEGA JV5 had payables to MESA of \$115,200 and \$99,335 at December 31, 2014 and 2013, respectively.
- OMEGA JV5 sold capacity from back-up generating units to AMP's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately \$79,200 and \$95,400 for the years ended December 31, 2014 and 2013.
- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of \$215,126 and \$167,165 for these services for the years ended December 31, 2014 and 2013, respectively.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of OMEGA JV6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV6's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") for the years ended December 31, 2014 and 2013. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

The statements of net position provide information about the nature and amount of assets, liabilities and deferred inflow of resources of OMEGA JV6 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses and the change in net position for the year. The statements 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 JV6 as of December 31:

Condensed Statement of Net Position

	2014	2013	2012
Assets			
Electric plant, net of accumulated depreciation	\$ 5,980,658	\$ 6,399,828	\$ 6,647,566
Regulatory assets	475,051	533,281	446,410
Restricted assets - funds held by trustee	89,826	87,093	84,229
Current assets and Board designated funds	2,528,550	2,256,098	2,057,393
Total Assets	\$ 9,074,085	\$ 9,276,300	\$ 9,235,598
Net Position, Liabilities and Deferred Inflow of Resources			
Net position - net investment in capital assets	\$ 5,980,658	\$ 6,399,828	\$ 6,647,566
Net position - restricted	89,826	87,093	84,229
Net position - unrestricted	1,878,367	1,759,177	1,812,577
Current liabilities	35,631	36,348	15,666
Asset retirement obligations	636,710	814,401	675,560
Deferred inflow of resources	452,893	179,453	-
Total Net Position, Liabilities and Deferred Inflow of Resources	\$ 9,074,085	\$ 9,276,300	\$ 9,235,598

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

2014 vs. 2013

Total assets were \$9,074,085 and \$9,276,300 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$202,215. This decrease is mainly due to an increase in accumulated depreciation of \$299,709 due to yearly depreciation expense, as well as an increase in ARO depreciation of \$11,457. Additionally, ARO assets were revised down \$108,004 due to revised estimates of the future cost of the retirement of the project. This was offset by an increase in cash of \$100,775 due to member collections as well as an increase in board designated funds of \$183,460 due to Renewable Energy Certificates ("RECs") sales.

Current assets and Board designated funds were \$2,528,550 and \$2,256,098 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$272,452. This increase was primarily due to an increase in cash of \$100,775 from member collections, an increase of cash reserved for maintenance and repairs of \$183,460 due to REC sales, offset by a decrease in receivables from related parties of \$11,188.

Non-current assets were \$6,545,535 and \$7,020,202 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$474,667. This decrease was due mainly to a decrease in the value of electric plant, net of depreciation of \$419,170, due to yearly depreciation as well as a revised estimate of the present value of the ARO asset of \$108,004, offset by decrease in regulatory assets of \$58,230. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense. Restricted assets consist of marketable securities held in trust as part of a bond requirement for the financing members of OMEGA JV6. These funds are available for use under covenants of the bond agreement. Upon repayment of the bonds, any unused funds will revert to the financing participants of OMEGA JV6. Restricted assets were \$89,826 and \$87,093 as of December 31, 2014 and December 31, 2013 respectively, an increase of \$2,733.

Total net position, liabilities and deferred inflow of resources were \$9,074,085 and \$9,276,300 as of December 31, 2014 and December 31, 2013 respectively, a decrease of \$202,215. This increase was a result of a decrease in net position of \$297,247, and ARO liability of \$177,691 due to a revised estimate of the present value of the cost due to revised estimates of the future cost of the retirement of the project, offset by an increase in deferred inflow of resources of \$273,440 relating to collection of amounts for generation and RECs in excess of operation and maintenance expenses incurred.

Total net position was \$7,498,851 and \$8,246,098 as of December 31, 2014 and December 31, 2013, respectively, a decrease \$297,247. Net investment in capital assets was \$5,980,658 and \$6,399,828 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$419,170. This decrease resulted from the decrease in electric plant, net of depreciation as well as a decrease in ARO assets revised estimate of the present value of the ARO asset of \$108,004. Restricted net position was \$89,826 and \$87,093 at December 31, 2014 and December 31, 2013, respectively, an increase of \$2,733. This increase reflects an increase in trust cash. Unrestricted net position was \$1,878,367 and \$1,759,177 at December 31, 2014 and December 31, 2013, respectively, an increase of \$119,190.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

Current liabilities were \$35,631 and \$36,348 at December 31, 2014 and December 31, 2013, respectively, a decrease of \$717. This resulted from an increase in levels of payables to related parties of \$7,144 due to amounts charged by MESA and AMP, Inc. personnel offset by a decrease in accrued expenses of \$7,861 for operation and maintenance incurred by year-end but not paid.

Non-current liabilities were \$636,710 and \$814,401 as of December 31, 2014 and December 31, 2013 respectively, a decrease of \$177,691. This decrease was due to a decrease in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants.

Deferred inflows of resources were \$452,893 and \$179,453 at December 31, 2014 and December 31, 2013, respectively, an increase of \$273,440. This was a result of rates and REC revenue received in excess of expenses incurred, intended to recover future expenses.

2013 vs. 2012

Total assets were \$9,276,300 and \$9,235,598 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$40,702. This increase is due to an increase in cash offset by a decrease in electric plant, net of depreciation, due to yearly depreciation.

Current assets and Board designated funds were \$2,256,098 and \$2,057,393 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$198,705. This increase was primarily due to an increase in cash of \$178,898, cash reserved for maintenance and repairs of \$51,796 and a \$32,692 decrease in accounts receivable.

Non-current assets were \$7,020,202 and \$7,178,205 as of December 31, 2013 and December 31, 2012, respectively, a decrease of \$158,003. This decrease was due mainly to a decrease in the value of electric plant, net of depreciation of \$247,738, offset by an increase in regulatory assets of \$86,871. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense. Restricted assets consist of marketable securities held in trust as part of a bond requirement for the financing members of OMEGA JV6. These funds are available for use under covenants of the bond agreement. Upon repayment of the bonds, any unused funds will revert to the financing participants of OMEGA JV6. Restricted assets were \$87,093 and \$84,229 as of December 31, 2013 and December 31, 2012 respectively, an increase of \$2,864.

Total net position, liabilities and deferred inflow of resources were \$9,276,300 and \$9,235,598 as of December 31, 2013 and December 31, 2012 respectively, an increase of \$40,702. This increase was a result of an increase in non-current liabilities, relating to asset retirement obligation and regulatory liabilities.

Total net position was \$8,246,098 and \$8,544,372 as of December 31, 2013 and December 31, 2012, respectively, a decrease \$298,274. Net investment in capital assets was \$6,399,828 and \$6,647,566 at December 31, 2013 and December 31, 2012,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014, 2013 and 2012
(Unaudited)

respectively, a decrease of \$247,738. This decrease resulted from the decrease in electric plant, net of depreciation. Restricted net position was \$87,093 and \$84,229 at December 31, 2013 and December 31, 2012, respectively, an increase of \$2,864. This increase reflects an increase in trust cash. Unrestricted net position was \$1,759,177 and \$1,812,577 at December 31, 2013 and December 31, 2012, respectively, a decrease of \$53,400.

Current liabilities were \$36,348 and \$15,666 at December 31, 2013 and December 31, 2012, respectively, an increase of \$20,682. This resulted from an increase in levels of accounts payable and accrued expenses of \$19,020.

Non-current liabilities were \$814,401 and \$675,560 as of December 31, 2013 and December 31, 2012 respectively, an increase \$138,841. This increase was due to an increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants.

Deferred inflows of resources were \$179,453 and \$0 at December 31, 2013 and December 31, 2012, respectively, an increase of \$179,453. This was a result of an increase in operating and maintenance related regulatory rates intended to recover future expenses.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 325,856	\$ 282,816	\$ 476,297
Operating expenses	<u>679,936</u>	<u>633,139</u>	<u>596,884</u>
Operating Loss	<u>(354,080)</u>	<u>(350,323)</u>	<u>(120,587)</u>
Nonoperating revenue			
Investment income	1,340	4,671	1,626
Future recoverable costs	<u>53,033</u>	<u>45,945</u>	<u>69,074</u>
Nonoperating Revenue	<u>54,373</u>	<u>50,616</u>	<u>70,700</u>
Loss before Contributions	(299,707)	(299,707)	(49,887)
Contributions from participants	<u>2,460</u>	<u>1,433</u>	<u>1,710</u>
Change in Net Position	<u>\$ (297,247)</u>	<u>\$ (298,274)</u>	<u>\$ (48,177)</u>

Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP. In 2007, OMEGA JV6 was authorized by the Internal Revenue Service to issue \$3.5 million in Clean Renewable Energy Bonds that could be used to

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014, 2013 and 2012 (Unaudited)

expand the output of the existing wind farm by installing one additional wind turbine. Although the original authorization was to expire December 31, 2009, this authorization was extended until December 31, 2010. RECs were sold in 2014 and 2013, through the efforts of MESA personnel.

Electric revenues in 2014 were \$325,856 versus \$282,816 in 2013, which is an increase of \$43,040. The increase in electric revenues is mainly due to a decrease in deferred expenses recorded for fixed operation and maintenance expense \$37,677 and an increase in capacity sales of \$10,337. Electric revenues in 2013 were \$282,816 versus \$476,297 in 2012, which is a decrease of \$193,481. This is mainly due to amounts of deferred expenses recorded for fixed operation and maintenance in the amount of \$127,657 to collect future expenses incurred.

Operating expenses in 2014 were \$679,936 versus \$633,139 in 2013 which is an increase of \$46,797. This was mainly due to increased MESA costs of \$13,147, capacity expenses of \$10,337 and other operating expense of \$17,087. This was offset by a decrease in maintenance expense of \$5,714.

Operating expenses in 2013 were \$633,139 versus \$596,884 in 2012 which is an increase of \$36,255. This was primarily due to increased maintenance expense of \$32,640, an increase in capacity expense of \$21,059, offset by a decrease in non-cash ARO depreciation expense of \$19,991.

Investment income in 2014 was \$1,340 versus \$4,671 in 2013 which is a decrease of \$3,331. The decrease is primarily due to decreased interest rates earned on the amount invested. Investment income in 2013 was \$4,671 versus \$1,626 in 2012 which is an increase of \$3,045. The increase is primarily due to increased interest rates earned on the amount invested.

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 1,333,753	\$ 1,232,978
Receivables from participants	4,202	397
Receivables from related parties	616	11,804
Prepaid expenses	<u>13,133</u>	<u>17,533</u>
Total Current Assets	<u>1,351,704</u>	<u>1,262,712</u>
NON-CURRENT ASSETS		
Restricted assets - funds held by trustee	89,826	87,093
Regulatory assets	475,051	533,281
Board designated funds	1,176,846	993,386
Electric Plant		
Electric plant	9,378,258	9,486,262
Accumulated depreciation	<u>(3,397,600)</u>	<u>(3,086,434)</u>
Net Electric Plant	<u>5,980,658</u>	<u>6,399,828</u>
Total Non-Current Assets	<u>7,722,381</u>	<u>8,013,588</u>
TOTAL ASSETS	<u>\$ 9,074,085</u>	<u>\$ 9,276,300</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 22,476	\$ 30,337
Payable to related parties	<u>13,155</u>	<u>6,011</u>
Total Current Liabilities	<u>35,631</u>	<u>36,348</u>
NON-CURRENT LIABILITIES		
Asset retirement obligation	<u>636,710</u>	<u>814,401</u>
Total Non-Current Liabilities	<u>636,710</u>	<u>814,401</u>
Total Liabilities	<u>672,341</u>	<u>850,749</u>
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	<u>452,893</u>	<u>179,453</u>
NET POSITION		
Net investment in capital assets	5,980,658	6,399,828
Restricted	89,826	87,093
Unrestricted	<u>1,878,367</u>	<u>1,759,177</u>
Total Net Position	<u>7,948,851</u>	<u>8,246,098</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 9,074,085</u>	<u>\$ 9,276,300</u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Electric revenue	\$ 325,856	\$ 282,816
OPERATING EXPENSES		
Related party services	87,070	73,923
Capacity	31,396	21,059
Depreciation	311,166	311,166
Accretion of asset retirement obligation	41,575	34,487
Maintenance	134,766	140,480
Insurance	33,019	32,015
Professional services	13,359	9,511
Other operating expenses	<u>27,585</u>	<u>10,498</u>
Total Operating Expenses	<u>679,936</u>	<u>633,139</u>
 Operating Loss	 <u>(354,080)</u>	 <u>(350,323)</u>
NON-OPERATING REVENUES		
Investment income	1,340	4,671
Future recoverable costs	<u>53,033</u>	<u>45,945</u>
Total Non-Operating Revenues	<u>54,373</u>	<u>50,616</u>
 Loss before Contributions	 <u>(299,707)</u>	 <u>(299,707)</u>
CONTRIBUTIONS FROM PARTICIPANTS	<u>2,460</u>	<u>1,433</u>
 Change in net position	 (297,247)	 (298,274)
NET POSITION, Beginning of Year	<u>8,246,098</u>	<u>8,544,372</u>
 NET POSITION, END OF YEAR	 <u><u>\$ 7,948,851</u></u>	 <u><u>\$ 8,246,098</u></u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	\$ 606,679	\$ 494,961
Cash paid to related parties for personnel services	(79,926)	(72,261)
Cash payments to suppliers and related parties for goods and services	<u>(243,586)</u>	<u>(195,246)</u>
Net Cash Provided by Operating Activities	<u>283,167</u>	<u>227,454</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from participants	<u>2,460</u>	<u>1,433</u>
Net Cash Provided by Capital and Related Financing Activities	<u>2,460</u>	<u>1,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to restricted assets	(2,732)	(2,864)
Investment income received	<u>1,340</u>	<u>4,671</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,392)</u>	<u>1,807</u>
Net Change in Cash and Cash Equivalents	284,235	230,694
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,226,364</u>	<u>1,995,670</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,510,599</u>	<u>\$ 2,226,364</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (354,080)	\$ (350,323)
Depreciation	311,166	311,166
Accretion of asset retirement obligation	41,575	34,487
Changes in assets, liabilities and deferred inflow of resources		
Receivables	(3,805)	26,292
Receivable from related parties	11,188	6,400
Prepaid expenses	4,400	(703)
Accounts payable and accrued expenses	(7,861)	19,020
Payable to related parties	7,144	1,662
Deferred inflow of resources	<u>273,440</u>	<u>179,453</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 283,167</u>	<u>\$ 227,454</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 1,333,753	\$ 1,232,978
Board designated funds	1,176,846	993,386
Funds held by trustee	<u>89,826</u>	<u>87,093</u>
Total cash accounts	2,600,425	2,313,457
Less: Non-cash equivalents	<u>(89,826)</u>	<u>(87,093)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,510,599</u>	<u>\$ 2,226,364</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	<u>\$ (108,004)</u>	<u>\$ 63,428</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

ASSETS, LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Deposits and Investments

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Deposits and Investments (cont.)

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

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

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

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

Board Designated Funds

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

Receivables/Payables

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

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Electric Plant

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

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

Asset Retirement Obligations

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

Regulatory Assets

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

Regulatory assets consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Future expenses related to asset retirement obligations	<u>\$ 475,051</u>	<u>\$ 533,281</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

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

Deferred Inflow of Resources

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

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

	2014	2013
Future expenses related to Fixed O&M	<u>\$ 452,893</u>	<u>\$ 179,453</u>

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:

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

REVENUE AND EXPENSES

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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.

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 JV6 financing participants for debt service are paid to AMP to retire the Project financing obligations (Note 5). 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.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards have no effect on OMEGA JV6's financial statements.

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,		Risks
	2014	2013	
Checking	\$ 2,510,599	\$ 2,226,364	Custodial credit
Commercial Paper	88,976	84,981	Custodial credit, credit, interest rate, and concentration
Government Money Market Mutual Funds	<u>850</u>	<u>2,112</u>	Credit and interest rate
Totals	<u>\$ 2,600,425</u>	<u>\$ 2,313,457</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for accounts as of December 31, 2014 and 2013.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 had custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, 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 JV6 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. OMEGA JV6's investment policy does not address this risk.

As of December 31, 2014 and 2013, OMEGA JV6's investments were exposed to custodial credit risk as follows:

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	<u>\$ 88,976</u>	<u>\$ 88,976</u>	<u>\$ 84,981</u>	<u>\$ 84,981</u>

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV6 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV6 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, 2014, OMEGA JV6's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial Paper	A1	P1
Government Money Market Mutual Fund	AAAm	Aaa

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2013, OMEGA JV6's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial Paper	A1	P1
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 JV6'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.

At December 31, 2014 OMEGA JV6's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Abbey National	Commercial Paper	96.8%

At December 31, 2013, OMEGA JV6's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Abbey National	Commercial Paper	97.6%

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV6's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2014, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Government Money Market Mutual Fund	N/A	N/A	\$ 850
Abbey National	2/18/2015	48	86,977
Credit Suisse A.G.	2/18/2015	48	1,999
			\$ 89,826

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2013, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Government Money Market Mutual Fund	N/A	48	\$ 2,112
Abbey National	2/18/2014	48	<u>84,981</u>
			<u>\$ 87,093</u>

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Reserve and Contingency Fund, which was established and maintained pursuant to the Agreement.

The Agreement requires OMEGA JV6 to maintain a minimum funding in a Reserve and Contingency Fund of \$50,000. Under the terms of the trust agreement associated with the OMEGA JV6 Bonds, if the balance in the fund is less than the required minimum, then AMP may direct OMEGA JV6 to increase billings to members such that the deficiency in the balance is funded within twelve months.

Restricted Assets

The following calculation supports the amount of restricted assets:

	2014	2013
Restricted Assets		
Reserve and Contingency Fund	<u>\$ 89,826</u>	<u>\$ 87,093</u>
Total Restricted Assets	<u>\$ 89,826</u>	<u>\$ 87,093</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2014			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,486,262	\$ -	\$ (108,004)	\$ 9,378,258
Less: Accumulated depreciation	(3,086,434)	(311,166)	-	(3,397,600)
Electric Plant, Net	\$ 6,399,828	\$ (311,166)	\$ (108,004)	\$ 5,980,658
	2013			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,422,834	\$ -	\$ 63,428	\$ 9,486,262
Less: Accumulated depreciation	(2,775,268)	(311,166)	-	(3,086,434)
Electric Plant, Net	\$ 6,647,566	\$ (311,166)	\$ 63,428	\$ 6,399,828

NOTE 5 – ACQUISITION OF THE PROJECT

Pursuant to the Agreement, OMEGA JV6 purchased the Project and assumed related contracts from AMP. OMEGA JV6 financed the initial purchase with a one year note payable to AMP from OMEGA JV6.

The Participants in OMEGA JV6 consist of financing and nonfinancing participants. On July 1, 2004, AMP issued \$9,861,000 OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004 (“OMEGA JV6 Bonds”), on behalf of the financing participants of OMEGA JV6. The net proceeds of the bond issue were contributed to OMEGA JV6. The nonfinancing participant in OMEGA JV6 contributed \$139,000.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2012

NOTE 5 – ACQUISITION OF THE PROJECT (cont.)

The OMEGA JV6 Bonds were not issued by OMEGA JV6 and the financing participants make debt service payments directly to AMP. Therefore, the OMEGA JV6 Bonds are not recorded in the financial statements of OMEGA JV6. The OMEGA JV6 Bonds outstanding at December 31, 2014, are as follows:

<u>Maturity Date</u> <u>February 15 and August 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2015	\$ 975,000	0.24%

The maturity table assumes an interest rate of 0.24%, which is equal to the interest rate used to calculate the February 15, 2015 principal payment.

Principal and interest on the OMEGA JV6 Bonds is payable in \$500,000 semi-annual installments on February 15 and August 15, beginning February 15, 2005. The OMEGA JV6 Bonds bear interest at an adjustable rate, which shall be established by reference to the Six-Month Municipal Market Data High Grade Index Rate (the "MMD Index Rate") plus 15 basis points. The adjustable rate will automatically be reset semi-annually, based on the MMD Index Rate as of two business days prior to the beginning of the next interest period. On August 15, 2019, the balance of the principal of the OMEGA JV6 Bonds, if not theretofore paid or provided for, shall become due and payable.

The OMEGA JV6 Bonds are payable solely from the basic and additional demand charges of the OMEGA JV6 financing participants. The OMEGA JV6 Bonds require compliance by the financing participants with the OMEGA JV6 Agreement, which requires that each financing participant maintain a debt service coverage ratio of 1.1 or greater.

Based on unaudited information for the years ended December 31, 2014 and 2013, all financing participants are in compliance with the debt service coverage requirements.

The OMEGA JV6 Bonds are subject to optional redemption at any time, at the sole discretion of participants of OMEGA JV6, at the price of par plus accrued interest.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

	2014			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 814,401	\$ 41,575	\$ (219,266)	\$ 636,710
	2013			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 675,560	\$ 34,487	\$ 104,354	\$ 814,401

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 2014 and 2013.

NOTE 7 – NET POSITION

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	<u>2014</u>	<u>2013</u>
Electric Plant	\$ 9,378,258	\$ 9,486,262
Accumulated Depreciation	<u>(3,397,600)</u>	<u>(3,086,434)</u>
Total Net Investment in Capital Assets	<u>\$ 5,980,658</u>	<u>\$ 6,399,828</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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

NOTE 9 – 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, 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 10 – SIGNIFICANT CUSTOMERS

OMEGA JV6 has two participants that comprised 33% and 33% of electric service revenue in 2014 and 2013, respectively.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of \$1,936 and \$2,064 for the years ended December 31, 2014 and 2013, respectively, and had a payable of \$2,691 and \$578 to AMP at December 31, 2014 and 2013, 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. The expenses related to these services were \$85,134 and \$71,859 for the years ended December 31, 2014 and 2013, respectively. OMEGA JV6 had a payable to MESA for \$10,464 and \$5,433 at December 31, 2014 and 2013, respectively.
 - During 2014 and 2013, AMP sold green tags on behalf of OMEGA JV6. OMEGA JV6 had a receivable from AMP of \$616 and \$11,804 as of December 31, 2014 and 2013, respectively.
-

NOTE 12 – FUTURE LEASE COMMITMENT

On November 14, 2002, AMP entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of \$1,000 per wind turbine unit. AMP has assigned this lease to OMEGA JV6. Rent expense from this lease totaled \$4,000 during each of the years ended December 31, 2014 and 2013.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6"), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015



MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Services Agency as of December 31, 2014 and 2013, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015 on our consideration of MESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MESA's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014, 2013 and 2012

(Unaudited)

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, 2014 and 2013. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Cash and short term investments	\$ 1,736,522	\$ 1,321,507	\$ 1,994,162
Accounts receivable AMP members	429,540	1,068,544	486,691
Accounts receivable related parties	2,171,947	2,101,681	1,372,238
Costs/recoveries in excess of member project billings	311,105	216,210	72,290
Prepays	2,125	2,083	972
Total Current Assets	<u>\$ 4,651,239</u>	<u>\$ 4,710,025</u>	<u>\$ 3,926,353</u>
Total assets	<u>\$ 4,651,239</u>	<u>\$ 4,710,025</u>	<u>\$ 3,926,353</u>
Liabilities			
Current liabilities	\$ 2,791,733	\$ 3,009,383	\$ 2,351,569
Noncurrent liabilities	1,859,506	1,700,642	1,574,784
Total liabilities	<u>\$ 4,651,239</u>	<u>\$ 4,710,025</u>	<u>\$ 3,926,353</u>

2014 vs. 2013

Total assets were \$4,651,239 and \$4,710,025 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$58,786. This was due to decreases in receivables from AMP members of \$639,004 due to significant decreases in project revenue as project sales for the Hamilton substation project from prior year. This decrease was offset by increases in cash and short term investments of \$415,015, receivables from related parties of \$70,266, and costs and recoveries in excess of billings from projects constructed on behalf of members \$94,895 due to the timing of MESA billing to projects due to the timing of MESA billings to customers.

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014, 2013 and 2012

(Unaudited)

Total liabilities were \$4,651,239 and \$4,710,025 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$58,786. This decrease was due mainly to a decrease in accounts payable and accrued expenses due to reduced project expenses due to fewer project sales for the Hamilton substation project than in previous years. Also, claims payable decreased \$243,082 due to lower value medical insurance claims accrued as of the balance sheet date in 2014 as compared to 2013. This decrease was offset by increases in accrued salaries and benefits of \$208,711 due to the number of days accrued for payroll in 2014 as compared to 2013. This was also offset by higher accrued vacation leave of \$340,136 and \$158,864 of accrued sick leave due to yearly merit and cost of living increases for MESA employees and an increase in number of vacation and sick days accrued for MESA employees.

Current liabilities were \$2,791,733 and \$3,009,383 as of December 31, 2014 and December 31, 2013, respectively, a decrease of \$217,650. This was due to decreases in accounts payable of \$138,951, payable to related parties of \$384,464, and claims payable of \$243,082, offset by increases in accrued vacation leave of \$340,136.

Non-current liabilities were \$1,859,506 and \$1,700,642 as of December 31, 2014 and December 31, 2013, respectively, an increase of \$158,864. Non-current liabilities are comprised of accrued sick leave.

2013 vs. 2012

Total assets were \$4,710,025 and \$3,926,353 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$783,672. The increase in 2013 total assets was due primarily to increases in receivables from related parties, receivables from AMP members, costs and recoveries in excess of billings from projects constructed on behalf of members and prepaid expenses, offset by decreases in cash and short term investments.

Current assets were \$4,710,025 and \$3,926,353 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$783,672. The increase resulted from increases in receivables from related parties of \$729,443, receivables from AMP members of \$581,853, costs and recoveries in excess of billings from projects constructed on behalf of members of \$143,920 and prepaid expenses of \$1,111, offset by decreases in cash and short term investments of \$672,655.

Total liabilities were \$4,710,025 and \$3,926,353 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$783,672. This is due to increases in payables for claims and related parties, accrued salaries and related benefits including vacation and sick leave and accounts payable and accrued expenses. This is offset by decreases in retainage payable.

Current liabilities were \$3,009,383 and \$2,351,569 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$657,814. This is due to increases in claims payables of \$319,889, accrued salaries and related benefits of \$257,639, payable to related parties of \$197,323, accounts payable and accrued expenses of \$142,453 and vacation leave of \$32,451. This is offset by decreases in retainage payable of \$291,941.

Non current liabilities were \$1,700,642 and \$1,574,784 as of December 31, 2013 and December 31, 2012, respectively, an increase of \$125,858. Non current liabilities are comprised of accrued sick leave.

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014, 2013 and 2012

(Unaudited)

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 18,779,896	\$ 22,180,046	\$ 18,586,600
Operating expenses	<u>18,780,620</u>	<u>22,181,132</u>	<u>18,587,851</u>
Operating Loss	<u>(724)</u>	<u>(1,086)</u>	<u>(1,251)</u>
Nonoperating revenue			
Investment income	<u>724</u>	<u>1,086</u>	<u>1,251</u>
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Operating revenues in 2014 were \$18,779,896 versus \$22,180,046 in 2013 which was a decrease of \$3,400,150. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members decreased by \$4,298,865 due mainly to a decrease in revenue from the Hamilton substation project and revenue from providing personnel services to related parties increased by \$898,715 due mainly to a higher number of MESA employees providing services as well as increased rates charged projects. Operating revenues in 2013 were \$22,180,046 versus \$18,586,600 in 2012 which was an increase of \$3,593,446. Revenue from projects on behalf of members increased by \$3,004,687 and revenue from providing personnel services to related parties increased by \$588,759.

Operating expenses in 2014 were \$18,780,620 versus \$22,181,132 in 2013 which was a decrease of \$3,400,512. This decrease was primarily due to lower expense for project materials on behalf of members by \$4,508,679 and an increase in MESA payroll and related benefits expense by \$1,112,359. Operating expenses in 2013 were \$22,181,132 versus \$18,587,851 in 2012 which was an increase of \$3,593,281. This increase was primarily due to an increase in expense for project materials on behalf of members of \$3,078,253 and an increase in MESA payroll and related benefits expense of \$527,577.

Investment income for MESA is limited to interest earned in the checking account for the operating funds held at the bank. Investment income in 2014 was \$724 versus \$1,086 in 2013 which was a decrease of \$362. The decrease in 2014 was a result of lower interest rates. Investment income in 2013 was \$1,086 versus \$1,251 in 2012 which was a decrease of \$165. The decrease in 2013 was a result of lower 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and short term investments	\$ 1,736,522	\$ 1,321,507
Receivables from AMP members	429,540	1,068,544
Receivables from related parties	2,171,947	2,101,681
Costs and recoveries in excess of billings from projects constructed on behalf of members	311,105	216,210
Prepaid expenses	<u>2,125</u>	<u>2,083</u>
Total Current Assets	<u>4,651,239</u>	<u>4,710,025</u>
TOTAL ASSETS	<u>\$ 4,651,239</u>	<u>\$ 4,710,025</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 297,822	\$ 436,773
Payable to related parties	29,487	413,951
Claims payable	76,807	319,889
Accrued salaries and related benefits	969,086	760,375
Accrued vacation leave	<u>1,418,531</u>	<u>1,078,395</u>
Total Current Liabilities	<u>2,791,733</u>	<u>3,009,383</u>
NON CURRENT LIABILITIES		
Accrued sick leave	<u>1,859,506</u>	<u>1,700,642</u>
Total Non Current Liabilities	<u>1,859,506</u>	<u>1,700,642</u>
Total Liabilities	<u>4,651,239</u>	<u>4,710,025</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,651,239</u>	<u>\$ 4,710,025</u>

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Services	\$ 17,910,701	\$ 17,011,986
Project revenue	869,195	5,168,060
Total Operating Revenues	<u>18,779,896</u>	<u>22,180,046</u>
OPERATING EXPENSES		
Salaries and related benefits	17,974,111	16,861,752
Professional fees	94,763	94,501
Direct project expenses	685,318	5,193,997
Insurance	26,429	30,882
Total Operating Expenses	<u>18,780,620</u>	<u>22,181,132</u>
Operating Loss	<u>(724)</u>	<u>(1,086)</u>
NONOPERATING REVENUES		
Investment income	<u>724</u>	<u>1,086</u>
Change in net position	-	-
NET POSITION, Beginning of Year	<u>-</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP members for services	\$ 1,508,199	\$ 4,586,208
Cash received from related parties for services	17,745,541	16,138,622
Cash payments to employees for services	(17,509,482)	(16,445,804)
Cash payments to suppliers and related parties for goods and services	<u>(1,329,967)</u>	<u>(4,952,767)</u>
Net Cash Provided by (Used in) Operating Activities	<u>414,291</u>	<u>(673,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	<u>724</u>	<u>1,086</u>
Net Cash Provided by Investing Activities	<u>724</u>	<u>1,086</u>
Net Change in Cash and Cash Equivalents	415,015	(672,655)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,321,507</u>	<u>1,994,162</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,736,522</u>	<u>\$ 1,321,507</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (724)	\$ (1,086)
Changes in assets and liabilities		
Receivables from AMP-Ohio members	639,004	(581,853)
Receivables from related parties	(70,266)	(729,443)
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	(94,895)	(143,920)
Prepaid expenses	(42)	(1,111)
Accounts payable and accrued expenses	(138,951)	142,453
Accounts payable to related parties	(384,464)	197,323
Claims payable	(243,082)	319,889
Accrued salaries and related benefits	208,711	257,639
Accrued vacation and sick leave	499,000	158,309
Retainage payable	<u>-</u>	<u>(291,941)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 414,291</u>	<u>\$ (673,741)</u>

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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, 2014, there were 48 Participants in MESA. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. The participants are members of American Municipal Power, Inc. (“AMP”). MESA also provides personnel and administrative services to AMP, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 (“OMEGA JVs”) and the Ohio Municipal Electric Association (“OMEA”). The Agreement continues until December 31, 2008, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation. At December 31, 2014, no notice of termination has been received.

The following summarizes the significant accounting policies followed by MESA.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

ASSETS, LIABILITIES AND NET POSITION

Deposits and Investments

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

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

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

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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

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

Receivables/Payables

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

Prepaid Expenses

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

Accrued Vacation and Sick Leave

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

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 150%. 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.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

PROJECT REVENUE AND EXPENSES

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

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

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These standards have no effect on MESA’s financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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,		Risks
	2014	2013	
Checking/Money Market Funds	\$ 1,736,522	\$ 1,321,507	Custodial credit
Total Cash and Cash Equivalents	<u>\$ 1,736,522</u>	<u>\$ 1,321,507</u>	

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, 2014 and 2013.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2014 and 2013, 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.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – HEALTH INSURANCE

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

Changes in funds' claim liability amount in 2013 and 2014 were:

Year	Balance at Beginning of Year	Current Year Claims and Change in Estimate	Claims Payments	Balance at End of Year
2013	\$ -	\$ 1,813,251	\$ 1,493,362	\$ 319,889
2014	\$ 319,889	\$ 2,105,441	\$ 2,348,523	\$ 76,807

NOTE 4 – LONG TERM LIABILITY

Long-term liability activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	\$ 1,700,642	\$ 374,857	\$ (215,993)	\$ 1,859,506	\$ -

Long-term liability activity for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued sick leave	\$ 1,574,784	\$ 452,852	\$ (326,994)	\$ 1,700,642	\$ -

NOTE 5 – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

All MESA employees participate in the Ohio Public Employees Retirement System ("OPERS"), a statewide, cost-sharing, multiple-employer defined benefit public pension plan. OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to plan members. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code ("ORC").

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

OPERS administers three separate pension plans as described below:

The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member –Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street Columbus, OH 43215-4342, or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% of earnable salary for members in state and local classifications. The 2014 employer contribution rate for state and local employers was 14.00% of earnable salary.

The ORC provides statutory authority for employee and employer contributions. The employer and employee required and actual contributions to OPERS were as follows:

	Year Ended December 31		
	2014	2013	2012
Required and Actual Employer Pension Contributions	\$ 1,442,523	\$ 1,505,880	\$ 988,155
Required and Actual Employer OPEB Contributions	\$ 240,420	\$ 115,837	\$ 596,942
Required and Actual Employer OPERS Contributions	<u>\$ 1,682,943</u>	<u>\$ 1,621,717</u>	<u>\$ 1,585,097</u>
Required and Actual Employer OPERS Contribution Rate	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Required and Actual Employee OPERS Contribution Rate	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 5 – POSTEMPLOYMENT BENEFITS (cont.)

OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (“OPEB”) as described in GASB Statement No.45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on or after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS’ Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2 percent for both plans, as recommended by the OPERS’ actuary. The OPERS Board of Trustees 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.

NOTE 6 – RISK MANAGEMENT

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

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – RELATED PARTY TRANSACTIONS

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

	<u>2014</u>	<u>2013</u>
AMP	\$ 16,128,037	\$ 17,815,176
Ohio Municipal Electric Generation Agency Joint Venture 1	84,207	98,583
Ohio Municipal Electric Generation Agency Joint Venture 2	712,355	753,351
Ohio Municipal Electric Generation Agency Joint Venture 4	37,879	31,633
Ohio Municipal Electric Generation Agency Joint Venture 5	1,112,410	1,068,497
Ohio Municipal Electric Generation Agency Joint Venture 6	85,134	71,859
Ohio Municipal Electric Association	383,917	379,726
AMP Members	<u>235,957</u>	<u>1,961,221</u>
Totals	<u>\$ 18,779,896</u>	<u>\$ 22,180,046</u>

At December 31, 2014 and 2013, MESA had receivables from affiliates of \$2,349,314 and \$2,101,681, respectively. At December 31, 2014 and 2013, MESA had a receivable from members of AMP of \$429,540 and \$1,068,544, respectively. At December 31, 2014 and 2013, MESA had a payable to AMP for \$29,487 and \$413,951, respectively.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Energy Services Agency ("MESA"), which comprise the statement of net position as of December 31, 2014 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 15, 2015

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Dave Yost • Auditor of State

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

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 2, 2015**