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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
<b>Assets</b>			
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>
<b>Net Position, Liabilities and Deferred Inflow of Resources</b>			
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)

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### **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)

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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
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
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
<b>NONCURRENT ASSETS</b>		
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
<b>TOTAL ASSETS</b>	<b>\$ 1,787,192</b>	<b>\$ 1,839,502</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ 10,206	\$ 9,876
Payable to related parties	5,611	1,449
Total Current Liabilities	15,817	11,325
<b>DEFERRED INFLOW OF RESOURCES</b>		
Rates intended to recover future costs	400,899	187,075
<b>NET POSITION</b>		
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
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 1,787,192</b>	<b>\$ 1,839,502</b>

**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
<b>OPERATING REVENUES</b>		
Transmission revenue	\$ 56,175	\$ 83,776
<b>OPERATING EXPENSES</b>		
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)
<b>NONOPERATING REVENUES</b>		
Investment income	315	1,858
Loss before Distributions	(98,275)	(98,275)
<b>DISTRIBUTIONS TO PARTICIPANTS</b>		
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
<b>NET POSITION, END OF YEAR</b>	\$ 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Distributions to participants	(172,351)	(172,351)
Net Cash Used in Noncapital Financing Activities	(172,351)	(172,351)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(4,500)	-
Investment income received	315	1,858
Net Cash Provided by (Used in) Investing Activities	(4,185)	1,858
<b>Net Change in Cash and Cash Equivalents</b>	44,395	1,183
CASH AND CASH EQUIVALENTS, Beginning of Year	626,348	625,165
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 670,743	\$ 626,348
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
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
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 220,931	\$ 171,676
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and temporary investments	\$ 420,743	\$ 426,348
Board designated funds	250,000	200,000
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 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

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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

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

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***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

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

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***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

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

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<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.

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**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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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

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### NOTE 5 – COMMITMENTS AND CONTINGENCIES

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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.

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### NOTE 6 – SIGNIFICANT CUSTOMERS

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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.

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### NOTE 7 – RISK MANAGEMENT

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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.

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### NOTE 8 – RELATED PARTY TRANSACTIONS

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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