

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

FINANCIAL STATEMENTS  
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 as of December 31, 2017 and 2016, 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 18, 2018 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 18, 2018

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017, 2016, 2015  
(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, 2017 and 2016. 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 for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

## Financial Highlights

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

<b>Condensed Statement of Net Position</b>			
<b>Assets</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Electric plant, net of accumulated depreciation	\$ 5,110,420	\$ 5,428,183	\$ 5,713,378
Regulatory assets	699,176	589,527	522,401
Current assets and Board designated funds	<u>1,819,508</u>	<u>1,698,672</u>	<u>2,768,438</u>
Total Assets	<u>\$ 7,629,104</u>	<u>\$ 7,716,382</u>	<u>\$ 9,004,217</u>
<b>Net Position, Liabilities and Deferred Inflow of Resources</b>			
Net position - net investment in capital assets	\$ 5,110,420	\$ 5,428,183	\$ 5,713,378
Net position - unrestricted	47,916	29,863	44,378
Current liabilities	69,001	34,065	1,873,302
Assets retirement obligation	889,546	797,951	716,489
Deferred inflow of resources	<u>1,512,221</u>	<u>1,426,320</u>	<u>656,670</u>
Total Net Position, Liabilities and Deferred Inflow of Resources	<u>\$ 7,629,104</u>	<u>\$ 7,716,382</u>	<u>\$ 9,004,217</u>

## 2017 vs. 2016

Total assets were \$7,629,104 and \$7,716,382 as of December 31, 2017 and December 31, 2016, respectively, a decrease of \$87,278. This decrease is primarily due to decreases in yearly

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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depreciation of \$311,089 and in receivables from participants of \$61,000 offset by increases in regulatory assets of \$109,649, cash and temporary investments of \$100,812, and board designated funds of \$85,119.

Current assets and board designated funds were \$1,819,508 and \$1,698,672 as of December 31, 2017 and December 31, 2016, respectively, an increase of \$120,836. This increase was an increase in cash and temporary investments of \$100,812, an increase in board designated funds of \$85,119 and an increase in receivables from participants of \$719. These increases are partially offset by decreases in receivables from related parties of \$61,000 and in prepaid expenses of \$4,814.

Non-current assets excluding board designated funds were \$5,809,596 and \$6,017,710 as of December 31, 2017 and December 31, 2016, respectively, a decrease of \$208,114. This decrease was due to a decrease in the value of electric plant, net of depreciation of \$317,763, from yearly depreciation along with an increase in regulatory assets of \$109,649. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense.

Total net position, liabilities, and deferred inflow of resources were \$7,629,104 and \$7,716,382 as of December 31, 2017 and December 31, 2016, respectively, a decrease of \$87,278.

Total net position was \$5,158,336 and \$5,548,046 at December 31, 2017 and December 31, 2016, respectively, a decrease of \$299,710. Net investment in capital assets was \$5,110,420 and \$5,428,183 at December 31, 2017 and December 31, 2016, respectively, a decrease of \$317,763. This decrease resulted from an increase in accumulated depreciation of \$311,089 offset by a change in asset retirement obligation of \$6,674. Unrestricted net position was \$47,916 and \$29,863 at December 31, 2017 and December 31, 2016, respectively.

Current liabilities were \$69,001 and \$34,065 at December 31, 2017 and December 31, 2016, respectively, an increase of \$34,936. This resulted from an increase accounts payable and accrued expenses of \$48,546 offset by a decrease in payables to related parties of \$13,610.

Non-current liabilities were \$889,546 and \$797,951 as of December 31, 2017 and December 31, 2016 respectively, an increase of \$91,595. 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 and current year accretion expense.

Deferred inflow of resources increased to \$1,512,221 at December 31, 2017 from \$1,426,320 at December 31, 2016, respectively, an increase of \$85,901. This is a result of revenue collected during the year in excess of expenses incurred, intended to recover future expenses.

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017, 2016, 2015 (Unaudited)

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### **2016 vs. 2015**

Total assets were \$7,716,382 and \$9,004,217 as of December 31, 2016 and December 31, 2015, respectively, a decrease of \$1,287,835. This decrease is due to decreases in cash and temporary investments of \$867,009 for distributions to participants declared in 2015 but primarily paid in 2016 as well as \$309,690 from yearly depreciation and a decrease in board designated funds of \$184,412. These decreases were offset by an increase in regulatory assets of \$67,126.

Current assets and board designated funds were \$1,698,672 and \$2,768,438 as of December 31, 2016 and December 31, 2015, respectively, a decrease of \$1,069,766. This decrease was due to a decrease in cash of \$867,009 for remaining distributions to participants, a decrease in board designated funds of \$184,412, a decrease of receivables of \$15,897 and a decrease in prepaid expenses of \$2,448.

Non-current assets excluding board designated funds were \$6,017,710 and \$6,235,779 as of December 31, 2016 and December 31, 2015, respectively, a decrease of \$218,069. This decrease was due to a decrease in the value of electric plant, net of depreciation of \$285,195, from yearly depreciation along with an increase in regulatory assets of \$67,126. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense.

Total net position, liabilities, and deferred inflow of resources were \$7,716,382 and \$9,004,217 as of December 31, 2016 and December 31, 2015, respectively, a decrease of \$1,287,835.

Total net position was \$5,548,046 and \$5,757,756 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$299,710. Net investment in capital assets was \$5,428,183 and \$5,713,378 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$285,195. This decrease resulted from an increase in accumulated depreciation of \$309,690 offset by a change in asset retirement obligation of \$24,495. Unrestricted net position was \$29,863 and \$44,378 at December 31, 2016 and December 31, 2015, respectively.

Current liabilities were \$34,065 and \$1,873,302 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$1,839,237. This resulted from the decreases in amounts due to participants of \$1,786,160 and in accounts payable and accrued expenses of \$53,077.

Non-current liabilities were \$797,951 and \$716,489 as of December 31, 2016 and December 31, 2015 respectively, an increase of \$81,462. 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 inflow of resources increased to \$1,426,320 at December 31, 2016 from \$656,670 at December 31, 2015, respectively, an increase of \$769,650. This is a result

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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of revenue collected during the year in excess of expenses incurred, intended to recover future expenses.

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

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

	2017	2016	2015
Operating revenues	\$ 387,709	\$ 457,030	\$ 494,853
Operating expenses	742,905	802,921	848,311
Operating Loss	(355,196)	(345,891)	(353,458)
Nonoperating revenue			
Investment income	4,387	138	1,370
Future recoverable costs	51,099	46,043	52,381
Nonoperating Revenue	55,486	46,181	53,751
Loss before Contributions	(299,710)	(299,710)	(299,707)
Distribution to participants	-	-	(1,891,388)
Change in Net Position	\$ (299,710)	\$ (299,710)	\$ (2,191,095)

**Operating results**

Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP. 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 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 2016 through the efforts of MESA personnel.

Electric revenue in 2017 was \$387,709 versus \$457,030 in 2016 which is a decrease of \$69,321. The decrease in electric revenue is due to a decrease in capacity sales of \$120,809 and in lower renewable energy credits of \$75,671 offset by lower revenue related to fixed costs of \$135,492. Electric revenue in 2016 was \$457,030 versus \$494,853 in 2015 which is a decrease of \$37,823. The decrease in electric revenue is mainly due to a decrease in capacity sales of \$84,524 offset by lower renewable energy credits of \$132,707. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017, 2016, 2015  
(Unaudited)

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Operating expenses in 2017 were \$742,905 versus \$802,921 in 2016 which is a decrease of \$60,016. The decrease in operating expenses in 2017 is due to decreases in capacity expense of \$121,112 and related party services of \$42,423 offset by increases in maintenance expense of \$85,763 and other operating expenses of \$5,903.

Operating expenses in 2016 were \$802,921 versus \$848,311 in 2015 which is a decrease of \$45,390. The decrease in operating expenses in 2016 is due mainly to decreases in capacity expense of \$84,524 and related party services of \$5,264 offset by increases in maintenance expense of \$47,434 and other operating expenses of \$3,911.

Investment income in 2017 was \$4,387 versus \$138 in 2016, an increase of \$4,249. Investment income in 2016 was \$138 versus \$1,370 in 2015 which is a decrease of \$1,232. Investment income for OMEGA JV6 is interest earned on checking account balances and short term investments.

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

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

STATEMENTS OF NET POSITION  
December 31, 2017 and 2016

<i>ASSETS</i>	2017	2016
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 930,626	\$ 829,814
Receivables from participants	41,116	40,397
Receivables from related parties	-	61,000
Prepaid expenses	10,096	14,910
Total Current Assets	<u>981,838</u>	<u>946,121</u>
<b>NONCURRENT ASSETS</b>		
Regulatory assets	699,176	589,527
Board designated funds	837,670	752,551
Electric Plant		
Electric plant	9,401,557	9,396,566
Accumulated depreciation	(4,291,137)	(3,968,383)
Net Electric Plant	<u>5,110,420</u>	<u>5,428,183</u>
Total Noncurrent Assets	<u>6,647,266</u>	<u>6,770,261</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,629,104</u>	<u>\$ 7,716,382</u>
<b><i>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</i></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 62,170	\$ 13,624
Payable to related parties	6,831	20,441
Total Current Liabilities	<u>69,001</u>	<u>34,065</u>
<b>NONCURRENT LIABILITIES</b>		
Asset retirement obligation	889,546	797,951
Total Noncurrent Liabilities	<u>889,546</u>	<u>797,951</u>
Total Liabilities	<u>958,547</u>	<u>832,016</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Rates intended to recover future costs	<u>1,512,221</u>	<u>1,426,320</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,110,420	5,428,183
Unrestricted	47,916	29,863
Total Net Position	<u>5,158,336</u>	<u>5,458,046</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<u>\$ 7,629,104</u>	<u>\$ 7,716,382</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Electric revenue	\$ 387,709	\$ 457,030
<b>OPERATING EXPENSES</b>		
Related party services	29,678	72,101
Capacity	32,550	153,662
Depreciation	311,089	309,690
Accretion of asset retirement obligation	39,719	36,062
Maintenance	249,172	163,409
Insurance	21,085	36,964
Professional services	33,265	10,589
Other operating expenses	26,347	20,444
Total Operating Expenses	742,905	802,921
Operating Loss	(355,196)	(345,891)
<b>NONOPERATING REVENUES</b>		
Investment income	4,387	138
Future recoverable costs	51,099	46,043
Total Nonoperating Revenues	55,486	46,181
<b>Change in net position</b>	(299,710)	(299,710)
NET POSITION, Beginning of Year	5,458,046	5,757,756
<b>NET POSITION, END OF YEAR</b>	\$ 5,158,336	\$ 5,458,046

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

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from participants and customers	\$ 694,639	\$ 1,228,063
Cash paid to related parties for personnel services	(43,288)	(73,503)
Cash payments to suppliers and related parties for goods and services	(469,807)	(419,959)
Net Cash Provided by Operating Activities	<u>181,544</u>	<u>734,601</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Distributions to participants	-	(1,786,160)
Proceeds from insurance	-	-
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>(1,786,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	4,387	138
Net Cash Provided by Investing Activities	<u>4,387</u>	<u>138</u>
<b>Net Change in Cash and Cash Equivalents</b>	185,931	(1,051,421)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,582,365</u>	<u>2,633,786</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,768,296</u>	<u>\$ 1,582,365</u>

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

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (355,196)	\$ (345,891)
Depreciation	311,089	309,690
Accretion of asset retirement obligation	39,719	36,062
Changes in assets, liabilities and deferred inflow of resources		
Receivables from participants	(720)	13,897
Receivables from related parties	61,000	2,000
Prepaid expenses	4,814	2,448
Accounts payable and accrued expenses	48,547	(51,853)
Payable to related parties	(13,610)	(1,402)
Deferred inflow of resources	85,901	769,650
	<b>\$ 181,544</b>	<b>\$ 734,601</b>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and temporary investments	\$ 930,626	\$ 829,814
Board designated funds	837,670	752,551
Total Cash Accounts	<b>1,768,296</b>	<b>1,582,365</b>
	<b>\$ 1,768,296</b>	<b>\$ 1,582,365</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Change in cost of plant due to change in estimated asset retirement obligation	\$ 4,991	\$ 24,495
	<b>\$ 4,991</b>	<b>\$ 24,495</b>

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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

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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, 2017 and 2016

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

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

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

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

***Board Designated Funds***

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

***Receivables/Payables***

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

***Prepaid Expenses***

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

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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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.)***

***Electric Plant***

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

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

***Asset Retirement Obligations***

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>2017</u>	<u>2016</u>
Future expenses related to asset retirement obligations	<u>\$ 699,176</u>	<u>\$ 589,527</u>

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**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:

	2017	2016
Future expenses related to Fixed O&M	<u>\$ 1,512,221</u>	<u>\$ 1,426,320</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, 2017 and 2016

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

***REVENUE AND EXPENSES*** (cont.)

Electric revenue is recognized when earned as service is delivered. OMEGA JV6's rates for electric power are designed to cover annual operating costs, except depreciation. Rates are set annually by the Board of Participants. Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

Beginning January 1, 2009, renewable energy attributes from OMEGA JV6 were sold by AMP on behalf of the participants. These revenues will be realized upon delivery of the attributes.

**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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

	Carrying Value as of December 31,		Risks
	2017	2016	
Checking	\$ 1,768,296	\$ 1,582,365	Custodial credit
Totals	<u>\$ 1,768,296</u>	<u>\$ 1,582,365</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, 2017 and 2016.

***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, 2017 and 2016, there were no deposits exposed to custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**NOTE 3 – ELECTRIC PLANT AND EQUIPMENT**

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

	<b>2017</b>			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,396,566	\$ -	\$ 4,991	\$ 9,401,557
Less: Accumulated depreciation	(3,968,383)	(311,089)	(11,665)	(4,291,137)
Electric Plant, Net	<u>\$ 5,428,183</u>	<u>\$ (311,089)</u>	<u>\$ (6,674)</u>	<u>\$ 5,110,420</u>
	<b>2016</b>			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,372,071	\$ -	\$ 24,495	\$ 9,396,566
Less: Accumulated depreciation	(3,658,693)	(309,690)	-	(3,968,383)
Electric Plant, Net	<u>\$ 5,713,378</u>	<u>\$ (309,690)</u>	<u>\$ 24,495</u>	<u>\$ 5,428,183</u>

**NOTE 4 – ASSET RETIREMENT OBLIGATIONS**

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

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

	<b>2017</b>			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	<u>\$ 797,951</u>	<u>\$ 39,719</u>	<u>\$ 51,876</u>	<u>\$ 889,546</u>
	<b>2016</b>			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	<u>\$ 716,489</u>	<u>\$ 36,062</u>	<u>\$ 45,400</u>	<u>\$ 797,951</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 life of each unit. OMEGA JV6 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2017 and 2016.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**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:

	<b>2017</b>	<b>2016</b>
Electric plant	\$ 9,401,557	\$ 9,396,566
Less: Accumulated depreciation	(4,291,137)	(3,968,383)
Total Net Investment in Capital Assets	\$ 5,110,420	\$ 5,428,183

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

***ENVIRONMENTAL MATTERS***

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

Bird and bat collisions with the turning blades of wind turbines have resulted in wildlife losses in some wind turbine locations. There have 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.

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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### **NOTE 7 – RISK MANAGEMENT**

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

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### **NOTE 8 – SIGNIFICANT CUSTOMERS**

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OMEGA JV6 has two participants that comprised 33% and 33% of electric service revenue in 2017 and 2016, respectively.

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### **NOTE 9 – RELATED PARTY TRANSACTIONS**

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OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of \$2,781 and of \$2,937 for the years ended December 31, 2017 and 2016, respectively, and had a payable of \$4,260 and \$19,286 to AMP at December 31, 2017 and 2016, respectively.
- As OMEGA JV6's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. AMP may also provide these services. The expenses related to these services were \$26,897 and \$69,164 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV6 had a payable to MESA for \$961 and \$1,156 at December 31, 2017 and 2016, respectively. OMEGA JV6 had a payable to AMP for \$1,610 at December 31, 2017.
- During 2017 and 2016, AMP sold green tags on behalf of OMEGA JV6. OMEGA JV6 had a receivable from AMP of \$0 and \$61,000 as of December 31, 2017 and 2016, respectively.

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### **NOTE 10 – FUTURE LEASE COMMITMENT**

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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, 2017 and 2016.

**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, 2017, 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 18, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
April 18, 2018

