



---

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

FINANCIAL STATEMENTS  
Including Independent Auditors' Report

Years Ended December 31, 2016 and 2015

## TABLE OF CONTENTS

Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis.....	3 – 6
Statements of Net Position.....	7
Statements of Revenues, Expenses and Change in Net Position.....	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10 – 16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17 – 18

## **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, 2016 and 2015, 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.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

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, 2016 and 2015, 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 19, 2017 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 19, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016, 2015 and 2014  
(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, 2016 and 2015. 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**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Transmission line, net of accumulated depreciation	\$ 886,273	\$ 984,548	\$ 1,082,823
Board designated funds	350,000	300,000	250,000
Current assets	428,787	430,258	454,369
Total Assets	<u>\$ 1,665,060</u>	<u>\$ 1,714,806</u>	<u>\$ 1,787,192</u>
<b>Net Position, Liabilities and Deferred Inflow of Resources</b>			
Net position - net investment in capital assets	\$ 886,273	\$ 984,548	\$ 1,082,823
Net position - unrestricted	(52,549)	115,302	287,653
Current liabilities	12,136	12,159	15,817
Deferred inflow of resources	819,200	602,797	400,899
Total Net Position, Liabilities and Deferred Inflow of Resources	<u>\$ 1,665,060</u>	<u>\$ 1,714,806</u>	<u>\$ 1,787,192</u>

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016, 2015 and 2014 (Unaudited)

---

### **2016 vs. 2015**

Total assets were \$1,665,060 and \$1,714,806 as of December 31, 2016 and December 31 2015, respectively, a decrease of \$49,746. The decrease in 2016 total assets is primarily due to yearly depreciation of \$98,275 along with decreases in operating cash of \$15,980 and prepaid expenses of \$4,169. These decreases are partially offset by an increase in Board designated funds by \$50,000 for a yearly maintenance reserve contribution specifically earmarked for the decommissioning of power lines and an increase in receivables from related parties by \$18,678.

Utility plant, net of accumulated depreciation was \$886,273 and \$984,548 at year-end 2016 and 2015, respectively, a decrease of \$98,275. The decrease was the result of yearly depreciation.

Current assets were \$428,787 and \$430,258 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$1,471. Cash and temporary investments decreased by \$15,980 and prepaid expenses decreased by \$4,169 offset by increases in accounts receivable from related parties of \$18,678.

Total net position, liabilities, and deferred inflow of resources were \$1,665,060 and \$1,714,806 as of December 31, 2016 and December 31, 2015, respectively, a decrease of \$49,746.

Total net position was \$833,724 and \$1,099,850 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$266,126. Net investment in capital assets was \$886,273 and \$984,548 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$98,275. This decrease resulted from the yearly depreciation and a corresponding increase in accumulated depreciation. Unrestricted net position was (\$52,549) and \$115,302 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$167,851, which was due to distributions to members.

Current liabilities were \$12,136 and \$12,159 at December 31, 2016 and December 31, 2015, respectively, a decrease of \$23. This resulted from a decrease in payable to related parties offset by an increase in accrued expenses.

Deferred inflow of resources increased to \$819,200 at December 31, 2016 from \$602,797 at December 31, 2015, which is an increase of \$216,403. This was a result of member billings in excess of operating and maintenance incurred.

### **2015 vs. 2014**

Total assets were \$1,714,806 and \$1,787,192 as of December 31, 2015 and December 31 2014, respectively, a decrease of \$72,386. The decrease in 2015 total assets is due to a decrease in operating cash of \$17,154 and a decrease in receivables of \$6,957 due to collections from members, along with an increase in accumulated depreciation of \$98,275 from yearly depreciation expense. This is offset by an increase in board designated funds of \$50,000 due to amounts collected from members in excess of operating expenses paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016, 2015 and 2014  
(Unaudited)

---

Utility plant, net of accumulated depreciation was \$984,548 and \$1,082,823 at year-end 2015 and 2014, respectively, a decrease of \$98,275. The decrease was the result of yearly depreciation.

Current assets were \$430,258 and \$454,369 at December 31, 2015 and December 31, 2014, respectively, a decrease of \$24,111, due to a decrease in cash and temporary investments. This decrease was mainly a result of collections from members in excess of operating expenses paid and 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. In addition to this decrease, accounts receivable due to collections from members decreased by \$6,957.

Total net position, liabilities, and deferred inflow of resources were \$1,714,806 and \$1,787,192 as of December 31, 2015 and December 31, 2014, respectively, a decrease of \$72,386.

Total net position was \$1,099,850 and \$1,370,476 at December 31, 2015 and December 31, 2014, respectively, a decrease of \$270,626. Net investment in capital assets was \$984,548 and \$1,082,823 at December 31, 2015 and December 31, 2014, respectively, a decrease of \$98,275. This decrease resulted from the yearly depreciation expense and a corresponding increase in accumulated depreciation. Unrestricted net position was \$115,302 and \$287,653 at December 31, 2015 and December 31, 2014, respectively, a decrease of \$172,351, which was due to distributions to members.

Current liabilities were \$12,159 and \$15,817 at December 31, 2015 and December 31, 2014, respectively, a decrease of \$3,658. This resulted from a decrease in payable to related parties.

Deferred inflow of resources increased to \$602,797 at December 31, 2015 from \$400,899 at December 31, 2014, which is an increase of \$201,898. This was a result of member billings in excess of operating and maintenance incurred.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016, 2015 and 2014  
(Unaudited)

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>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 53,597	\$ 68,102	\$ 56,175
Operating expenses	<u>148,428</u>	<u>166,772</u>	<u>154,765</u>
Operating Income (Loss)	<u>(94,831)</u>	<u>(98,670)</u>	<u>(98,590)</u>
Nonoperating revenues			
Investment income	<u>1,056</u>	<u>395</u>	<u>315</u>
Income (Loss) before Distributions	<u>(93,775)</u>	<u>(98,275)</u>	<u>(98,275)</u>
Distributions to participants	<u>172,351</u>	<u>172,351</u>	<u>172,351</u>
Change in Net Position	<u>\$ (266,126)</u>	<u>\$ (270,626)</u>	<u>\$ (270,626)</u>

Total operating revenues in 2016 were \$53,597 versus \$68,102 in 2015 which is a decrease of \$14,505 due to an increase in deferred inflow of resources recognized as compared to prior year for member billings less than expenses incurred, primarily transmission line maintenance.

Operating expenses in 2016 were \$148,428 versus \$166,772 in 2015 which is a decrease of \$18,344. The decrease in operating expenses in 2016 is due mainly to a decrease in maintenance expense of \$18,524 where 2014 transmission line maintenance was deferred until 2015, along with a decrease in MESA and AMP related party services of \$583 offset by increases in professional services and other operating expenses of \$763. Operating expenses in 2015 were \$166,772 versus \$154,765 in 2014 which is an increase of \$12,007.

Investment income in 2016 was \$1,056 versus \$395 in 2015, an increase of \$661 due to an increase in the balance of investments earning interest. Investment income in 2015 was \$395 versus \$315 in 2014 which is an increase of \$80 from increases in the balance of investments earning interest. Investment income for OMEGA JV4 is interest earned on checking account balances and short term investments.

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



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

STATEMENTS OF NET POSITION  
December 31, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 387,609	\$ 403,589
Receivables	41,178	22,500
Prepaid expenses	-	4,169
Total Current Assets	428,787	430,258
<b>NONCURRENT ASSETS</b>		
Utility Plant		
Transmission line	2,645,438	2,645,438
Accumulated depreciation	(1,759,165)	(1,660,890)
Net Utility Plant	886,273	984,548
Other Assets		
Board designated funds	350,000	300,000
Total Non-Current Assets	1,236,273	1,284,548
<b>TOTAL ASSETS</b>	<b>\$ 1,665,060</b>	<b>\$ 1,714,806</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ 10,994	\$ 10,748
Payable to related parties	1,142	1,411
Total Current Liabilities	12,136	12,159
<b>DEFERRED INFLOW OF RESOURCES</b>		
Rates intended to recover future costs	819,200	602,797
<b>NET POSITION</b>		
Net investment in capital assets	886,273	984,548
Unrestricted	(52,549)	115,302
Total Net Position	833,724	1,099,850
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 1,665,060</b>	<b>\$ 1,714,806</b>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years Ended December 31, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Transmission revenue	\$ 53,597	\$ 68,102
<b>OPERATING EXPENSES</b>		
Related party personnel services	20,604	21,187
Depreciation	98,275	98,275
Maintenance	-	18,524
Professional services	10,962	10,660
Other operating expenses	18,587	18,126
Total Operating Expenses	148,428	166,772
 Operating Loss	 (94,831)	 (98,670)
<b>NONOPERATING REVENUES</b>		
Investment income	1,056	395
 Loss before Distributions	 (93,775)	 (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	 (266,126)	 (270,626)
 NET POSITION, Beginning of Year	 1,099,850	 1,370,476
 <b>NET POSITION, END OF YEAR</b>	 \$ 833,724	 \$ 1,099,850

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

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from participants and customers	\$ 251,322	\$ 276,957
Cash received from (paid to) related parties for personnel services	(20,873)	(25,387)
Cash paid to suppliers and related parties for goods and services	(25,134)	(46,768)
Net Cash Provided by Operating Activities	205,315	204,802
<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>		
Investment income received	1,056	395
Net Cash Provided by (Used in) Investing Activities	1,056	395
<b>Net Change in Cash and Cash Equivalents</b>	34,020	32,846
CASH AND CASH EQUIVALENTS, Beginning of Year	703,589	670,743
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 737,609	\$ 703,589
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (94,831)	\$ (98,670)
Depreciation	98,275	98,275
Changes in assets and liabilities		
Receivables	(18,678)	6,957
Prepaid expenses	4,169	-
Accrued expenses	246	542
Payable to related parties	(269)	(4,200)
Deferred inflow of resources	216,403	201,898
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 205,315	\$ 204,802
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and temporary investments	\$ 387,609	\$ 403,589
Board designated funds	350,000	300,000
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 737,609	\$ 703,589

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

---

## 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 2016 and 2015 OMEGA JV4 derived a majority of its revenue from one customer. 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.

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.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

---

**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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

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

***Asset Retirement Obligations***

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

***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:

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

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

---

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

---

***REVENUE AND EXPENSES***

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

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

---

**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

---

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

	<u>Carrying Value as of December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>Risks</u>
Checking	\$ 737,609	\$ 703,589	Custodial credit

***Custodial Credit Risk***

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2016 and 2015, there were no deposits exposed to custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

**NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)**

***Credit Risk***

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV4 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV4 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services. As of December 31, 2016 and 2015, 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, 2016 and 2015, OMEGA JV4 had no investments with interest rate risk.

**NOTE 3 – UTILITY PLANT**

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

	2016		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,645,438	\$ -	\$ 2,645,438
Less: Accumulated depreciation	(1,660,890)	(98,275)	(1,759,165)
Utility Plant, Net	\$ 984,548	\$ (98,275)	\$ 886,273
	2015		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,645,438	\$ -	\$ 2,645,438
Less: Accumulated depreciation	(1,562,615)	(98,275)	(1,660,890)
Utility Plant, Net	\$ 1,082,823	\$ (98,275)	\$ 984,548



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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

---

**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:

	<u>2016</u>	<u>2015</u>
Plant in service	\$ 2,645,438	\$ 2,645,438
Accumulated depreciation	<u>(1,759,165)</u>	<u>(1,660,890)</u>
Total Net Investment in Capital Assets	<u>\$ 886,273</u>	<u>\$ 984,548</u>

---

**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 2016 and 2015 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, 2016, 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.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

---

**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. The expenses related to these services were \$425 as of December 31, 2016. OMEGA JV4 had a payable of \$425 due to AMP as of December 31, 2016 and \$396 as of December 31, 2015.
- 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 \$20,179 and \$21,187 for the years ended December 31, 2016 and 2015, respectively. OMEGA JV4 had a payable to MESA of \$717 and \$1,015 at December 31, 2016 and 2015, 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, 2016, 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 19, 2017.

**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.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

## **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 19, 2017