# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2013 and 2012

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statements of net position as of December 31, 2013 and 2012, 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 5 as of December 31, 2013 and 2012, 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.

**Effect of Adopting New Accounting Standards**

As discussed in Note 1, OMEGA JV5 adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. Our opinions were not modified with respect to this matter.

***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 16, 2014 on our consideration of OMEGA JV5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV5's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 16, 2014

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013, 2012 and 2011
(Unaudited)

**Financial Statement Overview**

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") for the years ended December 31, 2013 and 2012. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

**Financial Highlights**

The following table summarizes the financial position of OMEGA JV5 as of December 31.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Assets** | | | |
| Restricted assets - current | $ 7,759,990 | $ 7,642,061 | $ 7,514,762 |
| Other current assets | 7,800,793 | 8,686,262 | 9,584,660 |
| Total current assets | 15,560,783 | 16,328,323 | 17,099,422 |
| Restricted assets - noncurrent | 3,334,810 | 3,321,816 | 3,304,492 |
| Electric plant and land | 118,173,628 | 122,843,745 | 127,390,475 |
| Other assets | 2,719,789 | 1,570,767 | 1,761,326 |
| Deferred outflow of resources | 1,758,060 | 2,078,852 | - |
| Total assets and deferred outflow of resources | $ 141,547,070 | $ 146,143,503 | $ 149,555,715 |
| **Net Position, Liabilities, and Deferred Inflow of Resources** | | | |
| Net investment in capital assets | $ 14,328,334 | $ 15,201,554 | $ 16,073,288 |
| Net position - restricted | 8,422,462 | 8,180,301 | 7,938,394 |
| Net position - unrestricted | (12,978,833) | (13,609,892) | (13,390,567) |
| Net beneficial interest certificates | 100,248,354 | 104,616,043 | 106,457,187 |
| Current liabilities | 9,766,364 | 9,683,963 | 9,598,732 |
| Noncurrent liabilities | 101,601 | 73,932 | 100,024 |
| Deferred inflow of resources | 21,658,788 | 21,997,602 | 22,778,657 |
| Total net position, liabilities, and deferred inflow of resources | $ 141,547,070 | $ 146,143,503 | $ 149,555,715 |

**2013 vs. 2012**

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

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

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

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

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

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

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

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

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

Current liabilities were $9,766,364 and $9,683,963 at December 31, 2013 and December 31, 2012, respectively, an increase of $82,401. This was due mainly to decreases in payables and accruals of $186,449. These decreases were offset by $250,000 increase in 2004 Bond Principal payment due for 2014.

Noncurrent liabilities were $101,601 and $73,932 at December 31, 2013 and December 31, 2012, respectively, an increase of $27,669. This was primarily the result of an increase in accrued license fees and property taxes of $18,186 and $9,483, respectively.

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

**2012 vs. 2011**

Total assets and deferred outflow of resources were $146,143,503 and $149,555,715 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $3,412,212. The decrease was due to increased accumulated depreciation as well as a decrease in rate stabilization cash. These decreases were partially offset by an increase in deferred outflow of resources and capital assets.

Total current assets were $16,328,323 and $17,099,422 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $771,099. Cash and temporary investments decreased by $1,628,982 primarily due to a decrease in rate stabilization cash. This decrease was partially offset by an increase in regulatory asset of $980,873 due to the under recovery of 2012 expenses with approved rates.

Utility plant assets were $122,843,745 and $127,390,475 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $4,546,730. Utility plant assets decreased as a result of depreciation. OMEGA JV5 also placed into service $230,132 in transmission line equipment in 2012. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2011.

Noncurrent restricted assets were $3,321,816 and $3,304,492 as of December 31, 2012 and December 31, 2011, respectively, an increase of $17,324. The classification of restricted assets into current and noncurrent categories reflects the timing of anticipated payments from the Certificate Payment Fund and the Reserve and Contingency Fund.

Other assets were $1,570,767 and $1,761,326 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $190,559. The decrease was the result of a decrease in prepaid bond insurance of $96,930.

Total net position, liabilities, and deferred inflow of resources were $146,143,503 and $149,555,715 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $3,412,212.

Net position was $9,771,963 and $10,621,115 at December 31, 2012 and December 31, 2011, respectively, a decrease of $849,152. This decrease is reflective of the $849,152 loss during operations for 2012.

Net Beneficial Interest Certificates were $104,616,043 and $106,457,187 at December 31, 2012 and December 31, 2011, respectively, a decrease of $1,841,144. This was primarily due to a principal payment made in 2012 on the 2004 Beneficial Interest Certificates of $4,860,000 partially offset by the amortization of the unamortized discount of the 2001 bonds and classification of the 1993 bond defeasance to deferred outflow of resources.

Current liabilities were $9,683,963 and $9,598,732 at December 31, 2012 and December 31, 2011, respectively, an increase of $85,231. This was due mainly to increases in payables and accruals of $326,045 and the current portion of beneficial interest certificates of $245,000. These increases were offset by decreases in accrued interest of $101,250, $107,919 decrease in estimated purchased power and $234,395 decrease in intercompany payables.

Noncurrent liabilities were $73,932 and $100,024 at December 31, 2012 and December 31, 2011, respectively, a decrease of $26,092. This was primarily the result of a decrease in other accrued liabilities.

Deferred inflow of resources were $21,997,602 and $22,778,657 as of December 31, 2012 and December 31, 2011, respectively a decrease of $781,055. This was a result of a decrease in operating and maintenance related regulatory rates intended to recover future expenses.

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

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Operating revenues | $ 22,506,356 | $ 22,485,574 | $ 24,453,017 |
| Operating expenses | 16,493,360 | 17,914,638 | 19,082,468 |
| Operating income | 6,012,996 | 4,570,936 | 5,370,549 |
| Nonoperating income and expense | | | |
| Investment income | 28,219 | 26,376 | 30,060 |
| Interest Expense | (6,416,305) | (5,791,106) | (5,984,398) |
| Amortization | 375,090 | 344,642 | 401,956 |
| Total nonoperating income/(expense) | (6,012,996) | (5,420,088) | (5,552,382) |
| Change in net position | $ - | $ (849,152) | $ (181,833) |

**Operating results**

Operating revenues were $22,506,356 in 2013, an increase of $20,782 over 2012. The increase in revenues was primarily due to an increase in balances relating to operations $144,529 offset by a decrease in variable O&M revenue of $446,917. Operating revenues were $22,485,574 in 2012, a decrease of $1,967,443 under 2011. The decrease in revenues was primarily due to decreases in hydro excess power $1,409,413 and backup power $106,239 as these amounts were netted against purchased power expense in 2012. Green attributes also decreased by $305,187.

Operating expenses were $16,493,360 in 2013, a decrease of $1,421,278 from 2012. This decrease was primarily the result of a decrease in purchased power of $2,828,040 which was offset by increases in maintenance $339,475, MESA services $125,027, Rice Neshap and General Fund allocations $159,250. Operating expenses were $17,914,638 in 2012, a decrease of $1,167,830 from 2011. This decrease was primarily the result of a decreases in hydro excess power $1,409,413 and backup power $106,239 as these amounts were netted against purchased power expense in 2012. Green attributes also decreased by $305,187. These decreases were offset by increases in transmission costs of $501,119 and diesel fuel of $96,608.

Non-Operating expense totaled $6,012,996 in 2013 and $5,420,088 in 2012, respectively, an increase of $592,908. This increase was caused primarily by an increase in interest expense in 2013. Non-Operating expense totaled $5,420,088 in 2012 and $5,552,382 in 2011, respectively, a decrease of $132,294. This decrease was caused primarily by a reduction in interest expenses in 2012.

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

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

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

STATEMENTS OF NET POSITION
December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| ***ASSETS AND DEFERRED OUTFLOW OF RESOURCES*** | | |
| **CURRENT ASSETS** | | |
| Cash and temporary investments | $ 6,418,624 | $ 5,904,163 |
| Restricted assets - funds held by trustee | 7,759,990 | 7,642,061 |
| Receivables from participants | 924,218 | 997,556 |
| Receivables from related parties | 10,000 | 10,590 |
| Regulatory asset | 119,298 | 1,431,581 |
| Inventory | 119,784 | 138,637 |
| Prepaid expenses | 208,869 | 203,735 |
| Total Current Assets | 15,560,783 | 16,328,323 |
| **NONCURRENT ASSETS** | | |
| Restricted Assets | | |
| Restricted assets - funds held by trustee | 3,334,810 | 3,321,816 |
| Electric Plant and Land | | |
| Electric plant in service | 186,352,403 | 186,352,403 |
| Land | 431,881 | 431,881 |
| Accumulated depreciation | (68,610,656) | (63,940,539) |
| Net Electric Plant and Land | 118,173,628 | 122,843,745 |
| Other Assets | | |
| Prepaid dedicated capacity | | |
| Prepaid bond insurance, net | 654,325 | 745,521 |
| Regulatory asset | 2,065,464 | - |
| Beneficial interest certificates' issuance costs, net | - | 825,246 |
| Total Noncurrent Assets | 124,228,227 | 127,736,328 |
| **DEFERRED OUTFLOW OF RESOURCES** | | |
| Unamortized defeasance costs | 1,758,060 | 2,078,852 |
| **TOTAL DEFERRED OUTFLOW OF RESOURCES** | 1,758,060 | 2,078,852 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 141,547,070 | $ 146,143,503 |

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

STATEMENTS OF NET POSITION
December 31, 2013 and 2012

| | | 2013 | 2012 |
|---|---|---|---|
| ***LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION*** | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payable and accrued expenses | | $ 1,580,455 | $ 1,706,909 |
| Payable to related parties | | 158,571 | 88,478 |
| Liabilities Payable From Restricted Assets | | | |
| Accrued interest | | 1,402,515 | 1,508,869 |
| Debt service collected to be reimbursed to members | | 1,269,823 | 1,274,707 |
| Beneficial interest certificates, current | | 5,355,000 | 5,105,000 |
| Total Current Liabilities | | 9,766,364 | 9,683,963 |
| **NONCURRENT LIABILITIES** | | | |
| Property taxes | | 9,483 | - |
| Accrued license fees | | 92,118 | 73,932 |
| 2001 beneficial interest certificates | | 56,125,000 | 56,125,000 |
| Unamortized discount | | (28,743,987) | (30,197,583) |
| 2004 beneficial interest refunding certificates | | 70,990,000 | 76,345,000 |
| Unamortized premium | | 1,877,341 | 2,343,626 |
| Total Noncurrent Liabilities | | 100,349,955 | 104,689,975 |
| Total Liabilities | | 110,116,319 | 114,373,938 |
| **DEFERRED INFLOW OF RESOURCES** | | | |
| Rates intended to recover future costs | | 21,658,788 | 21,997,602 |
| **TOTAL DEFERRED INFLOW OF RESOURCES** | | 21,658,788 | 21,997,602 |
| **NET POSITION** | | | |
| Net investment in capital assets | | 14,328,334 | 15,201,554 |
| Restricted | | 8,422,462 | 8,180,301 |
| Unrestricted | | (12,978,833) | (13,609,892) |
| Total Net Position | | 9,771,963 | 9,771,963 |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | | $ 141,547,070 | $ 146,143,503 |



See accompanying notes to financial statements.

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Electric revenue | $ 22,506,356 | $ 22,485,574 |
| **OPERATING EXPENSES** | | |
| Purchased power | 6,116,879 | 8,944,919 |
| Capacity | 637,341 | - |
| Related party services | 1,304,281 | 1,179,254 |
| Depreciation | 4,670,117 | 4,666,731 |
| Maintenance | 1,425,882 | 1,086,407 |
| Utilities | 167,165 | 159,023 |
| Insurance | 412,131 | 443,836 |
| Professional services | 69,295 | 109,214 |
| Payment in lieu of taxes | 840,000 | 840,000 |
| Other operating expenses | 850,269 | 485,254 |
| Total Operating Expenses | 16,493,360 | 17,914,638 |
| Operating Income | 6,012,996 | 4,570,936 |
| **NONOPERATING INCOME AND EXPENSE** | | |
| Investment income | 28,219 | 26,376 |
| Interest expense | (6,416,305) | (5,791,106) |
| Amortization of insurance | (91,196) | (190,560) |
| Amortization of premium | 466,286 | 535,202 |
| Total Nonoperating Expense | (6,012,996) | (5,420,088) |
| **Change in net position** | - | (849,152) |
| NET POSITION, Beginning of Year | 9,771,963 | 10,621,115 |
| **NET POSITION, END OF YEAR** | $ 9,771,963 | $ 9,771,963 |



See accompanying notes to financial statements.

# OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
# JOINT VENTURE 5

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from participants | $ 21,487,699 | $ 22,610,354 |
| Cash paid to related parties for personnel services | (1,233,598) | (1,413,649) |
| Cash payments to suppliers and related parties for goods and services | (10,604,028) | (13,682,592) |
| Net Cash Provided by Operating Activities | 9,650,073 | 7,514,113 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Payments on beneficial interest certificates | (5,105,000) | (4,860,000) |
| Interest payments on beneficial interest certificates | (3,923,024) | (4,172,150) |
| Proceeds from debt service to be refunded to members | 1,269,823 | 1,274,707 |
| Payment of debt service refunded to members | (1,274,707) | (1,270,741) |
| Net Cash Used in Capital and Related Financing Activities | (9,032,908) | (9,028,184) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investments purchased | (4,772,381) | (4,746,393) |
| Investments sold and matured | 4,641,458 | 4,527,802 |
| Investment income received | 28,219 | 26,381 |
| Net Cash Provided by Investing Activities | (102,704) | (192,210) |
| **Net Change in Cash and Cash Equivalents** | 514,461 | (1,706,281) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 5,904,163 | 7,610,444 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 6,418,624 | $ 5,904,163 |

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating income | $ 6,012,996 | $ 4,570,936 |
| Noncash items in operating income | | |
| Depreciation | 4,670,117 | $ 4,666,731 |
| Changes in assets and liabilities | | |
| Receivables from participants | 73,338 | 124,780 |
| Receivables from related parties | 590 | (10,590) |
| Regulatory asset | (753,181) | (980,873) |
| Inventory | 18,853 | 15,498 |
| Prepaid expenses | (5,134) | (6,703) |
| Deferred inflow of resources | (338,814) | (935,192) |
| Accounts payable and accrued expenses | (126,454) | 330,011 |
| Payable to related parties | 70,093 | (234,395) |
| Property taxes | 9,483 | - |
| Accrued license fees | 18,186 | (26,090) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 9,650,073 | $ 7,514,113 |
| | | |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION** | | |
| Cash and temporary investments | $ 6,418,624 | $ 5,904,163 |
| Funds held by trustee | 11,094,800 | 10,963,877 |
| Total Cash Accounts | 17,513,424 | 16,868,040 |
| Less Non-cash equivalents | (11,094,800) | (10,963,877) |
| **TOTAL CASH AND CASH EQUIVALENTS** | $ 6,418,624 | $ 5,904,163 |



See accompanying notes to financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

#### ***Deposits and Investments***

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

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

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

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

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

#### ***Receivables/Payables***

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

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

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

#### *Inventory*

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

#### *Restricted Assets*

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

#### *Prepaid Expenses*

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

#### *OMEGA JV5 Plant*

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

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

#### *Asset Retirement Obligations*

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV5 has determined that there is no asset retirement obligation associated with the transmission line or back-up diesel units. Based on these assumptions, OMEGA JV5 has not recorded an asset retirement obligation.

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

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

***Regulatory Assets***

OMEGA JV5 records regulatory assets (expenses to be recovered in rates in future periods).

***Deferred Inflow of Resources***

OMEGA JV5 records deferred inflows of resources (rates collected for expenses not yet incurred). In addition, consist of revenue related to amounts prepaid by the Participants for operation and maintenance expenses and are recorded as income when the related expenditure occurs.

***Deferred Outflow of Resources***

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

***Long-Term Obligations***

Long-term debt and other obligations are reported as OMEGA JV5 liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method

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

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

#### *Net Position*

All property constituting OMEGA JV5 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

| Municipality | Project kW Entitlement | Percent Project Ownership and Entitlement |
|---|---|---|
| Cuyahoga Falls | 7,000 | 16.67% |
| Bowling Green | 6,608 | 15.73 |
| Niles | 4,463 | 10.63 |
| Napoleon | 3,088 | 7.35 |
| Jackson | 3,000 | 7.14 |
| Hudson | 2,388 | 5.69 |
| Wadsworth | 2,360 | 5.62 |
| Oberlin | 1,270 | 3.02 |
| New Bremen | 1,000 | 2.38 |
| Bryan | 919 | 2.19 |
| Hubbard | 871 | 2.07 |
| Montpelier | 850 | 2.02 |
| Minster | 837 | 1.99 |
| Columbiana | 696 | 1.66 |
| Wellington | 679 | 1.62 |
| Versailles | 460 | 1.10 |
| Monroeville | 427 | 1.02 |
| Oak Harbor | 396 | 0.94 |
| Lodi | 395 | 0.94 |
| Pemberville | 386 | 0.92 |
| Edgerton | 385 | 0.92 |

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

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

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

| Municipality | Project kW Entitlement | Percent Project Ownership and Entitlement |
|---|---|---|
| Arcanum | 352 | 0.84% |
| Seville | 344 | 0.82 |
| Brewster | 333 | 0.79 |
| Pioneer | 321 | 0.76 |
| Genoa | 288 | 0.69 |
| Jackson Center | 281 | 0.67 |
| Grafton | 269 | 0.64 |
| Elmore | 244 | 0.58 |
| Woodville | 209 | 0.50 |
| Milan | 163 | 0.39 |
| Bradner | 145 | 0.35 |
| Beach City | 128 | 0.30 |
| Prospect | 115 | 0.27 |
| Haskins | 56 | 0.13 |
| Lucas | 54 | 0.13 |
| Arcadia | 46 | 0.11 |
| South Vienna | 45 | 0.11 |
| Waynesfield | 35 | 0.08 |
| Eldorado | 35 | 0.08 |
| Republic | 35 | 0.08 |
| Custar | 24 | 0.06 |
| Totals | 42,000 | 100.00% |

### *REVENUE AND EXPENSES*

OMEGA JV5 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV5's principal ongoing operations. The principal operating revenues of OMEGA JV5 are charges to participants for sales of electric power. Operating expenses include the cost of generation and transmission, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues are recognized when earned as service is delivered. OMEGA JV5’s rates for electric power are designed to cover annual operating costs except depreciation. Debt service is billed separately to the Participants. Rates are set annually by the Board of Participants. Periodically OMEGA JV5 will distribute earnings to its participants based on available operating and rate stabilization cash. These distributions are approved by the Board of Participants.  No distributions were made in 2013 or 2012.

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

### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS*

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 65, *Items Previously Reported as Assets and Liabilities,* Statement No. 66, *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62.* These standards were implemented in these financial statements. Certain items in the 2012 financial statements have been reclassified to conform to the current year presentation.

## 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, | | |
|---|---|---|---|
| | 2013 | 2012 | Risks |
| Checking/Money Market Funds | $ 6,418,624 | $ 5,904,163 | Custodial credit |
| Government Money Market Mutual Fund | 1,319 | 1,714 | Credit, interest rate |
| Commercial Paper | 11,093,481 | 10,962,163 | Credit, interest rate, custodial credit, concentration of credit |
| Total Cash, Cash Equivalents, and Investments | $ 17,513,424 | $ 16,868,040 | |

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2013 and 2012.

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

***Custodial Credit Risk***

**Deposits**

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5's deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2013 and 2012, there were no deposits exposed to custodial credit risk.

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, OMEGA JV5 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. OMEGA JV5's investment policy does not address this risk.

As of December 31, 2013 and 2012, OMEGA JV5's investments were exposed to custodial credit risk as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Bank Balance | Carrying Value | Bank Balance | Carrying Value |
| Neither insured nor registered and held by a counterparty | $ 11,093,481 | $ 11,093,481 | $ 10,962,163 | $ 10,962,163 |

***Credit Risk***

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV5 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services at the time of purchase.

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

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

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

***Credit Risk*** (cont.)

As of December 31, 2012, OMEGA JV5's investments were rated as follows:

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

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OMEGA JV5's investment policy requires diversification of investments to limit losses from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security, except for US Treasury and fixed rate non-callable Federal Agency securities.

At December 31, 2013 and 2012, OMEGA JV5's investment portfolio was concentrated as follows:

| | | Percentage of Portfolio | |
|---|---|---|---|
| Issuer | Investment Type | 2013 | 2012 |
| Abbey Bank | Commercial Paper | 47.48% | 24.05% |
| Credit Agricole | Commercial Paper | - | 10.08% |
| Natixis Financial | Commercial Paper | 52.52% | 43.87% |
| Societe Generale | Commercial Paper | - | 22.00% |

***Interest Rate Risk***

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV5's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

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

| Investment | Maturity Date | Weighted Average Maturity (days) | Fair Value |
|---|---|---|---|
| Abbey Bank | 2/18/2014 | 48 | $ 5,266,789 |
| 9Natixis Financial | 2/18/2014 | 48 | 5,826,692 |
| Government Money Market Mutual Fund | n/a | 55 | 1,319 |
| | | | $ 11,094,800 |

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

***Interest Rate Risk*** (cont.)

As of December 31, 2012, OMEGA JV5's investments were as follows:

| Investment | Maturity Date | Weighted Average Maturity (days) | Fair Value |
|---|---|---|---|
| Abbey National Bank Commercial Paper | 2/15/2013 | 45 | $ 2,637,235 |
| Credit Agricole | 2/15/2013 | 33 | 1,104,794 |
| Natixis Financial | 2/15/2013 | 42 | 4,808,710 |
| Societe Generale | 2/15/2013 | 37 | 2,411,424 |
| Government Money Market Mutual Fund | n/a | 55 | 1,714 |
| | | | $ 10,963,877 |

## NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment Fund, and Reserve and Contingency Funds, which are established and maintained pursuant to the fund agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets in the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating expenses to the extent that other operating funds are not sufficient; (iii) to pay for major repairs and maintenance; and (iv) to provide for the decommissioning of the Project.

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2013 and 2012, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

## NOTE 3 – RESTRICTED ASSETS (cont.)

***Restricted Net Position***

The following calculation supports the amount of restricted Net Position:

| | 2013 | 2012 |
|---|---|---|
| Restricted Assets | | |
| Certificate payment fund | $ 7,759,990 | $ 7,642,061 |
| Reserve and contingency fund | 3,334,810 | 3,321,816 |
| | 11,094,800 | 10,963,877 |
| Less: | | |
| Current Liabilities Payable From Restricted Assets | (2,672,338) | (2,783,576) |
| Total Restricted Net Position | $ 8,422,462 | $ 8,180,301 |

## NOTE 4 – UTILITY PLANT

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

| 2013 | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Electric Plant and Equipment | $186,352,403 | - | - | $186,352,403 |
| Land | 431,881 | - | - | 431,881 |
| Total Utility Plant in Service | 186,784,284 | - | - | 186,784,284 |
| Less: Accumulated depreciation | (63,940,539) | (4,670,117) | - | (68,610,656) |
| Utility Plant, Net | $122,843,745 | $(4,670,117) | - | $118,173,628 |

| 2012 | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Electric Plant and Equipment | $186,288,017 | $230,132 | $(165,746) | $186,352,403 |
| Land | 431,881 | - | - | 431,881 |
| Total Utility Plant in Service | 186,719,898 | 230,132 | (165,746) | 186,784,284 |
| Less: Accumulated depreciation | (59,329,423) | (4,666,731) | 55,615 | (63,940,539) |
| Utility Plant, Net | $127,390,475 | $(4,436,599) | $(110,131) | $122,843,745 |

## NOTE 5 – PREPAID BOND INSURANCE

In connection with the issuance of the 2001 Certificates, OMEGA JV5 paid $407,000 on behalf of the Participants for municipal bond insurance. In consideration for the payment of the premium and subject to the terms of the policy, the insurance company agrees to pay to the State Street Bank and Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and interest on the 2001 Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost is being amortized over the maturities of the 2001 Certificates.

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid $1,264,718 on behalf of the Participants for municipal bond insurance. In consideration for the payment of the premium and subject to the terms of the policy, the insurance company agrees to pay to the United States Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and Interest on the 2004 Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost is being amortized over the maturities of the 2004 Certificates.

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

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES

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

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

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

The 2004 Certificates outstanding at December 31, 2013, are as follows:

| Maturity Date February 15, | Principal Amount | Interest Rate |
|---|---|---|
| 2014 | 5,355,000 | 5.00 |
| 2015 | 5,630,000 | 5.00 |
| 2016 | 6,050,000 | 5.00 |
| 2017 | 6,215,000 | 5.00 |
| 2018 | 6,520,000 | 5.00 |
| 2019 | 6,845,000 | 5.00 |
| 2020 | 7,190,000 | 5.00 |
| 2021 | 7,550,000 | 5.00 |
| 2022 | 7,925,000 | 5.00 |
| 2023 | 8,325,000 | 5.00 |
| 2024 | 8,740,000 | 4.75 |
| | 76,345,000 | |
| Less: Current portion | (5,355,000) | |
| Unamortized premium | 1,877,341 | |
| Unamortized cost from defeasance of beneficial interest certificates | (1,758,060) | |
| Total | $ 71,109,2814 | |

Interest on the 2004 Certificates is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2004, to and including the date of maturity or prior redemption.

The 2004 Certificates are not subject to optional redemption before February 15, 2014. The 2004 Certificates maturing after February 15, 2014 are subject to redemption in whole or in part on any date on or after February 15, 2014 at par plus accrued interest.

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES (cont.)

In accordance with the trust agreement, amended on January 1, 2004, OMEGA JV5 is required to charge the Participants additional debt service ("Refunding Debt Service") in the amount of 15% of principal and interest. On February 16 of each year from 2005 through 2024, amounts charged to the Participants for Refunding Debt Service for the previous twelve months shall be refunded to the Participants. OMEGA JV5 established a liability payable from restricted assets of $1,269,823 and $1,274,707 for amounts to be refunded to Participants at December 31, 2013 and 2012, respectively.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2013 are as follows:

| Maturity Date February 15, | Maturity Amount | Yield to Maturity |
|---|---|---|
| 2025 | $ 10,915,000 | 5.51% |
| 2026 | 10,915,000 | 5.52 |
| 2027 | 10,915,000 | 5.53 |
| 2028 | 10,915,000 | 5.54 |
| 2029 | 10,465,000 | 5.55 |
| 2030 | 2,000,000 | 5.56 |
| Sub-Total | 56,125,000 | |
| Less: Unamortized discount | (28,743,987) | |
| Total | $ 27,381,013 | |

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

Except for the limited step-up provisions in the event of default by a Participant as described in Section 18 of the Joint Venture Agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 Participants, payable from the revenues of their municipal electric systems, subject only to the prior payment of the operation and maintenance expenses thereof. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of OMEGA JV5.

The terms of the trust agreement related to the Certificates contain various covenants, the most restrictive of which require the timely payment of debt service and for the Participants of OMEGA JV5 to comply with the provisions of the Joint Venture Agreement.

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

Based upon unaudited financial information for the years ended December 31, 2013 and 2012, two Participants were not able to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2013 are as follows:

| | Principal | Interest | Refunding Debt Service | Totals |
|---|---|---|---|---|
| 2014 | 5,355,000 | 3,661,525 | 1,372,560 | 10,389,085 |
| 2015 | 5,630,000 | 3,386,900 | 1,373,648 | 10,390,548 |
| 2016 | 6,050,000 | 3,094,900 | 1,391,854 | 10,536,754 |
| 2017 | 6,215,000 | 2,788,275 | 1,368,497 | 10,371,772 |
| 2018 | 6,520,000 | 2,469,900 | 1,368,263 | 10,358,163 |
| 2019 – 2023 | 37,835,000 | 6,989,875 | 6,822,346 | 51,647,221 |
| 2024 – 2028 | 19,906,592 | 32,700,983 | 8,006,873 | 60,614,448 |
| 2029 – 2030 | 2,733,391 | 9,731,609 | 1,873,396 | 14,338,396 |
| Totals | $ 90,244,983 | $ 64,823,967 | $ 23,577,437 | $ 178,646,387 |

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

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Long-term debt, including current maturities: | | | | |
| 2001 Certificates | $ 27,381,013 | $ 21,145,6050 | $ 25,927,417 | $ 32,080,355 |
| 2004 Certificates | 76,345,000 | 74,969,353 | 81,450,000 | 84,330,961 |

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

| | 2013 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| 2001 certificates | $ 56,125,000 | $ - | $ - | $ 56,125,000 |
| Less: Unamortized discount | (30,197,583) | - | 1,453,596 | (28,743,987) |
| | 25,927,417 | - | 1,453,596 | 27,381,013 |
| 2004 certificates | 81,450,000 | - | (5,105,000) | 76,345,000 |
| Less: Current maturities | (5,105,000) | (5,355,000) | 5,105,000 | (5,355,000) |
| Unamortized premium | 2,343,625 | - | (466,285) | 1,877,341 |
| | 78,688,625 | (5,355,000) | (466,285) | 72,867,341 |
| Accrued license fees | 73,932 | 18,186 | - | 92,118 |
| Totals | $ 104,689,974 | $ (5,336,814) | $ 987,311 | $ 100,340,471 |

| | 2012 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| 2001 certificates | $ 56,125,000 | $ - | $ - | $ 56,125,000 |
| Less: Unamortized discount | (31,573,944) | - | 1,376,361 | (30,197,583) |
| | 24,551,056 | - | 1,376,361 | 25,927,417 |
| 2004 certificates | 86,310,000 | - | (4,860,000) | 81,450,000 |
| Less: Current maturities | (4,860,000) | (5,105,000) | 4,860,000 | (5,105,000) |
| Unamortized premium | 2,878,829 | - | (535,204) | 2,343,625 |
| | 84,328,829 | (5,105,000) | (535,204) | 78,688,625 |
| Accrued license fees | 100,022 | - | (26,090) | 73,932 |
| Totals | $ 108,979,907 | $ (5,105,000) | $ 815,067 | $ 104,689,974 |

## NOTE 6 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Deferred inflow of resources at December 31 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Debt service billed to Participants for Certificates in excess of related expenses | $ 19,640,395 | $ 20,331,730 |
| Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest | 1,649,387 | 1,636,393 |
| Inventories billed to Participants | 367,006 | 29,480 |
| Total Deferred Inflow of Resources | $ 21,656,788 | $ 21,997,602 |

## NOTE 7 – NET POSITION

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

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

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

Unrestricted - The component consists of the portion of net position that does not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted resources are available for use, it is OMEGA JV5's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTE 7 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

| | 2013 | 2012 |
|---|---|---|
| Plant assets | $ 186,352,403 | $ 186,352,403 |
| Land | 431,881 | 431,881 |
| Accumulated depreciation | (68,610,656) | (63,940,539) |
| Sub-Totals | 118,173,628 | 122,843,745 |
| Related debt: | | |
| 2001 beneficial interest certificates | 56,125,000 | 56,125,000 |
| Unamortized discount – 2001 Beneficial interest certificates | (28,743,987) | (30,197,583) |
| 2004 beneficial interest certificates | 70,990,000 | 76,345,000 |
| Unamortized premium – 2004 Beneficial interest certificates | 1,877,341 | 2,343,626 |
| Unamortized defeasance costs – 1993 Beneficial interest certificates | (1,758,060) | (2,078,852) |
| Current portion – Beneficial interest certificates | 5,355,000 | 5,105,000 |
| Sub-Totals | 103,845,294 | 107,642,191 |
| Total Net Investment In Capital Assets | $ 14,328,334 | $ 15,201,554 |

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

### *ENVIRONMENTAL MATTERS*

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

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

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

## NOTE 8 – COMMITMENTS AND CONTINGENCIES (cont.)

### *OTHER COMMITMENTS*

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

## NOTE 9 – RISK MANAGEMENT

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

## NOTE 10 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2013 and 2012 was $160,289 and $171,600, respectively. OMEGA JV5's payables to AMP as of December 31, 2013 and 2012 were $59,236 and $12,945, respectively.

- As OMEGA JV5's agent, AMP purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2013 and 2012 amounted to $6,754,219 and $8,944,919, respectively. OMEGA JV5's receivable from AMP as of December 31, 2013 was $0 and $10,590 receivable at December 31, 2012.

- As OMEGA JV5's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was $1,143,992 and $1,007,654 for the years ended December 31, 2013 and 2012, respectively. OMEGA JV5 had payables to MESA of $99,335 and $75,533 at December 31, 2013 and 2012, respectively.

- OMEGA JV5 sold capacity from back-up generating units to AMP's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately $95,400 and $633,600 for the years ended December 31, 2013 and 2012.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $167,165 and $159,023 for these services for the years ended December 31, 2013 and 2012, respectively.

## NOTE 11 – SUBSEQUENT EVENTS

Per the Second Supplemental, Article III, Section 3.1 the 2004 BIRCs maturing after February 15, 2014 in the principal amount of $70,990,000 are subject to optional redemption, in whole or in part, on any date on or after February 15, 2014, at the redemption price of par, plus accrued interest to the date of redemption.

On October 28, 2013, the AMP Board approved resolution 13-10-3537 authorizing a loan under the AMP Credit Agreement to provide up to $71,000,000 for deposit with the Trustee to be used, with other funds available to the Trustee, to redeem all of the 2004 BIRCs. The OMEGA JV5 participants also approved resolution 13-10-218JV5 on the same date approving the redemption of the JV5 BIRCs.

On January 16, 2014, U.S. Bank N.A., the Trustee, gave notice to bond holders of full optional redemption of the JV5 2004 BIRCs on February 15, 2014. All of the JV5 BIRCs were redeemed from monies credited to the debt service and a draw on the facility. However, per the Second Supplemental Section 6.7, “$2,750,000 needed to remain in the Reserve and Contingency Fund Requirement”.

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5"), which comprise the statement of net position as of December 31, 2013, 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 16, 2014, wherein we noted OMEGA JV5 implemented Governmental Accounting Standards Board Statements No. 61, 65, and 66.

**Internal Control Over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 16, 2014