OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 as of December 31, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018 on our consideration of OMEGA 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 18, 2018

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, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

	2017	2016	2015
Assets			
Current assets	$ 13,609,416	$ 11,011,850	$ 5,527,587
Restricted assets - noncurrent	7,853,537	6,194,724	3,034,597
Electric plant and land	99,689,071	104,169,732	109,086,709
Other assets	1,792,644	2,567,268	3,520,069
Total assets	$ 122,944,668	$ 123,943,574	$ 121,168,962
Net Position, Liabilities, and Deferred Inflow of Resources			
Net investment in capital assets	$ 26,731,995	$ 27,060,500	$ 28,746,334
Net position - restricted	7,853,537	6,194,724	3,034,597
Net position - unrestricted	(31,597,645)	(30,267,337)	(28,793,044)
Net beneficial interest certificates	72,957,076	77,109,232	30,537,188
Note payable	-	-	49,803,187
Current liabilities	1,453,011	4,106,494	2,460,627
Noncurrent liabilities	483,404	558,469	414,986
Deferred inflow of resources	45,063,290	39,181,492	34,965,087
Total net position, liabilities, and deferred inflow of resources	$ 122,944,668	$ 123,943,574	$ 121,168,962

2017 vs. 2016

Total assets were $122,944,668 and $123,943,574 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $998,906. The decrease is due to yearly depreciation of $4,734,238 along with decreases in receivables from related parties of $1,960,237 and in regulatory assets of $760,797 due to expenses incurred less than revenue collected. The decrease was offset by increases in cash and temporary investments of $3,925,279, in restricted assets – funds held by trustee of $1,658,813, and in receivables from participants of $620,723.

Total current assets were $13,609,416 and $11,011,850 as of December 31, 2017 and December 31, 2016, respectively, an increase of $2,597,566. This increase is due to increases in cash and temporary investments of $3,925,279, in receivables from participants of $620,723, and in accrued interest of $51,055 offset by a decrease of $1,960,237 in receivables from related parties and decreases in inventory and prepaid assets of $27,807 and $11,447, respectively.

Utility plant assets were $99,689,071 and $104,169,732 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $4,480,661. Utility plant assets decreased due to yearly depreciation recorded during the year of $4,734,238 offset by an increase in electric plant in service of $253,577. In 2017, OMEGA JV5 has an estimated ARO asset of $313,314. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Noncurrent restricted assets were $7,853,537 and $6,194,724 as of December 31, 2017 and December 31, 2016, respectively, an increase of $1,658,813 due to debt service collections from the 2016 beneficial interest certificate issuance. These assets at December 31, 2017 represent amounts in the Reserve and Contingency Fund and Bond Redemption Fund that are held in accordance with the 2001 Certificates and 2016 Certificates bond indentures.

Other assets were $1,792,644 and $2,567,268 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $774,624. The decrease is mainly due to a decrease of $760,797 in regulatory assets due to fixed operating expenses incurred for the year lower than revenues collected and a decrease in prepaid bond insurance of $13,827 for amortization.

Total net position, liabilities, and deferred inflow of resources were $122,944,668 and $123,943,574 as of December 31, 2017 and December 31, 2016, respectively, a decrease of $998,906.

Net position was $2,987,887 at December 31, 2017 and December 31, 2016.

Net Beneficial Interest Certificates were $72,957,076 and $77,109,232 at December 31, 2017 and December 31, 2016, respectively, a decrease of $4,152,156. The decrease is due to 2016 Beneficial Interest Certificates payments and related amortization. In January 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of $49,745,000. The purpose of the 2016 refunding was to pay in full the promissory note payable to AMP. For the 2001 Certificates, the accreted interest on the zero coupon bonds will begin to become due in 2025.

Current liabilities were $1,453,011 and $4,106,494 at December 31, 2017 and December 31, 2016, respectively, a decrease of $2,653,483. This decrease was mainly due to a decrease of $2,295,810 in payables to related parties for certain engineering, finance, administration and other services and a decrease in accounts payable and accrued expenses of $371,474.

Noncurrent liabilities were $483,404 and $558,469 at December 31, 2017 and December 31, 2016, respectively, a decrease of $75,065. This was the result of a decrease in accrued license fees of $75,065. OMEGA JV5 has an estimated ARO liability and a corresponding asset of $317,673 at both December 31, 2017 and 2016. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

Deferred inflow of resources was $45,063,290 and $39,181,492 as of December 31, 2017 and December 31, 2016, respectively an increase of $5,881,798. This was primarily the result of revenue for variable generation expenses received in excess of expense along with revenue received for OMEGA JV5 refinancing interest and trust covenant.

2016 vs. 2015

Total assets were $123,943,574 and $121,168,962 as of December 31, 2016 and December 31, 2015, respectively, an increase of $2,774,612. The increase was due to increases in cash and temporary investments of $4,364,569, restricted assets – funds held by trustee of $3,160,127, and receivables from related parties of $1,948,075 offset by yearly depreciation which reduced the total asset balance by $4,916,977 along with decreases in regulatory assets of $922,599 due to expenses incurred less than revenue collected and lower receivables from participants.

Total current assets were $11,011,850 and $5,527,587 as of December 31, 2016 and December 31, 2015, respectively, an increase of $5,484,263. This is mainly due to an increase of $4,364,569 in cash and temporary investments and receivables from related parties of $1,948,075 offset by a decrease of $725,087 in receivables from participants.

Utility plant assets were $104,169,732 and $109,086,709 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $4,916,977. Utility plant assets decreased due to yearly depreciation recorded during the year. In 2016, OMEGA JV5 estimated an ARO asset of $313,314. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2016. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2016.

Noncurrent restricted assets were $6,194,724 and $3,034,597 as of December 31, 2016 and December 31, 2015, respectively, an increase of $3,160,127 due to debt service collections from the 2016 beneficial interest certificate issuance. These assets at

December 31, 2016 represent amounts in the Reserve and Contingency Fund that are held in accordance with the 2001 Certificates and 2016 Certificates bond indentures.

Other assets were $2,567,268 and $3,520,069 as of December 31, 2016 and December 31, 2015, respectively, a decrease of $952,801. The decrease is mainly due to a decrease of $922,599 in regulatory assets due to fixed operating expenses incurred for the year lower than revenues collected and a decrease in prepaid bond insurance of $30,202 for amortization.

Total net position, liabilities, and deferred inflow of resources were $123,943,574 and $121,168,962 as of December 31, 2016 and December 31, 2015, respectively, an increase of $2,774,612.

Net position was $2,987,887 at December 31, 2016 and December 31, 2015.

Net Beneficial Interest Certificates were $77,109,232 and $30,537,188 at December 31, 2016 and December 31, 2015, respectively, an increase of $46,572,004. The increase is due to the OMEGA JV5 issuance of 2016 Beneficial Interest Certificates ("2016 Certificates") in January 2016 in the amount of $49,745,000. The purpose of the 2016 refunding is to pay in full the promissory note payable to AMP. For the 2001 Certificates, the accreted interest on the zero coupon bonds will begin to become due in 2025.

Note payable was $0 and $49,803,187 at December 31, 2016 and December 31, 2015, respectively, a decrease of $49,803,187. OMEGA JV5 issued 2016 Certificates to pay in full the promissory note in January 2016.

Current liabilities were $4,106,494 and $2,460,627 at December 31, 2016 and December 31, 2015, respectively, an increase of $1,645,867. This increase was mainly due to an increase in payables to related parties for certain engineering, finance, administration and other services.

Noncurrent liabilities were $558,469 and $414,986 at December 31, 2016 and December 31, 2015, respectively, an increase of $143,483. This was the result of increases in accrued license fees of $139,124 and asset retirement obligation of $4,359. In 2016, OMEGA JV5 estimated an ARO liability and corresponding asset of $317,673, an increase of $4,359 compared to the ending balance of $313,314 at December 31, 2015. OMEGA JV5 developed its estimate of its asset retirement obligation based on a legal and technical study performed during 2016.

Deferred inflow of resources was $39,181,492 and $34,965,087 as of December 31, 2016 and December 31, 2015, respectively an increase of $4,216,405. This was primarily the result of revenue for variable generation expenses received in excess of expense along with revenue received for OMEGA JV5 refinancing interest and trust covenant.

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

	2017	2016	2015
Operating revenues	$ 18,353,035	$ 20,869,026	$ 24,424,933
Operating expenses	16,006,989	18,285,607	22,215,343
Operating income	2,346,046	2,583,419	2,209,590
Nonoperating income and expense			
Investment income (loss)	189,208	(94,661)	26,774
Interest expense	(2,521,427)	(2,237,266)	(2,222,537)
Bond issuance costs	-	(221,290)	-
Amortization	(13,827)	(30,202)	(13,827)
Total nonoperating income/(expense)	(2,346,046)	(2,583,419)	(2,209,590)
Change in net position	$ -	$ -	$ -

Operating results

Operating revenues were $18,353,035 in 2017, a decrease of $2,515,991 from 2016 operating revenue of $20,869,026. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses and debt service, if any. Capacity revenue is earned and received from the regional transmission organization and passed back to members through credits on their bill with an equal expense.

Operating revenues were $20,869,026 in 2016, a decrease of $3,555,907 from 2015 operating revenue of $24,424,933. The decrease in revenues was due to decreases in revenue related to renewable energy certificates (REC) sales to a third party and capacity sales to the RTO.

Operating expenses were $16,006,989 in 2017, a decrease of $2,278,618 from 2016 operating expenses of $18,285,607. This decrease was the result of lower capacity expense of $1,043,678, lower purchased power expense of $858,745, a decrease in related party services of $407,726 and annual depreciation expense of $189,068 offset by an increase in maintenance expense of $241,280.

Operating expenses were $18,285,607 in 2016, a decrease of $3,929,736 from 2015 operating expenses of $22,215,343. This decrease was primarily the result of lower purchased power expense of $3,624,319. Additionally, the project experienced a decrease of $275,974 in maintenance due to major maintenance performed in 2015 that was not performed in 2014.

Non-Operating expense totaled $2,346,046 in 2017 and $2,583,419 in 2016, respectively, a decrease of $237,373. This decrease was caused primarily by the 2016 bond issuance costs related to the 2016 Beneficial Interest Certificate issuance.

Non-Operating expense totaled $2,583,419 in 2016 and $2,209,590 in 2015, respectively, an increase of $373,829. This increase was caused primarily by the bond issuance costs related to the 2016 Beneficial Interest Certificate issuance.

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

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

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 11,224,036	$ 7,298,757
Receivables from participants	2,107,272	1,486,549
Receivables from related parties	13,250	1,973,487
Accrued interest receivable	114,809	63,754
Inventory	60,976	88,783
Prepaid expenses	89,073	100,520
Total Current Assets	13,609,416	11,011,850
NONCURRENT ASSETS		
Restricted Assets		
Restricted assets - funds held by trustee	7,853,537	6,194,724
Electric Plant and Land		
Electric plant in service	186,919,294	186,665,717
Land	431,881	431,881
Accumulated depreciation	(87,662,104)	(82,927,866)
Net Electric Plant and Equipment	99,689,071	104,169,732
Other Assets		
Prepaid bond insurance, net	180,899	194,726
Regulatory assets	1,611,745	2,372,542
Total Non-Current Assets	109,335,252	112,931,724
TOTAL ASSETS	$ 122,944,668	$ 123,943,574
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,150,283	$ 1,521,757
Payables to related parties	249,455	2,545,265
2016 beneficial interest certificiates - current	6,050,000	5,960,000
Accrued interest	53,273	39,472
Total Current Liabilities	7,503,011	10,066,494
NONCURRENT LIABILITIES		
Accrued license fees	165,731	240,796
2016 beneficial interest certificiates	32,850,000	38,900,000
2001 beneficial interest certificiates	56,125,000	56,125,000
Unamortized discount	(22,067,924)	(23,875,768)
Asset retirement obligation	317,673	317,673
Total Noncurrent Liabilities	67,390,480	71,707,701
Total Liabilities	74,893,491	81,774,195
DEFERRED INFLOW OF RESOURCES		
Rates intended to recover future costs	45,063,290	39,181,492
TOTAL DEFERRED INFLOW OF RESOURCES	45,063,290	39,181,492
NET POSITION		
Net investment in capital assets	26,731,995	27,060,500
Restricted	7,853,537	6,194,724
Unrestricted	(31,597,645)	(30,267,337)
Total Net Position	2,987,887	2,987,887
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 122,944,668	$ 123,943,574

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Electric revenue	$ 18,353,035	$ 20,869,026
OPERATING EXPENSES		
Purchased power	2,956,438	3,815,183
Capacity	2,304,386	3,348,064
Related party services	1,959,033	2,366,759
Depreciation	4,734,238	4,923,306
Maintenance	1,496,220	1,254,940
Utilities	140,065	193,022
Insurance	227,705	360,776
Professional services	29,541	67,283
Payment in lieu of taxes	840,000	840,000
Other operating expenses	1,319,363	1,116,274
Total Operating Expenses	16,006,989	18,285,607
Operating Income	2,346,046	2,583,419
NONOPERATING INCOME AND EXPENSE		
Investment income (loss)	189,208	(94,661)
Interest expense	(2,521,427)	(2,237,266)
Amortization of insurance	(13,827)	(30,202)
Bond issuance costs	-	(221,290)
Total Non-Operating Expense	(2,346,046)	(2,583,419)
Change in net position	-	-
NET POSITION, Beginning of Year	2,987,887	2,987,887
NET POSITION, END OF YEAR	$ 2,987,887	$ 2,987,887

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 26,979,833	$ 27,076,249
Cash paid to related parties for personnel services	(4,254,843)	(265,853)
Cash payments to suppliers and related parties for goods and services	(10,365,692)	(13,538,822)
Net Cash Provided by Operating Activities	12,359,298	13,271,574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from debt issuance	-	49,745,000
Principal payments on debt issuance	(5,960,000)	(4,885,000)
Interest payments on debt issuance	(699,782)	(638,462)
Acquistion of capital assets	(253,577)	-
Principal payments on note payable to related party	-	(49,803,187)
Interest payments on note payable to related party	-	(70,568)
Net Cash Used in Capital and Related Investing Activities	(6,913,359)	(5,652,217)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,658,813)	(3,160,127)
Investment income received (loss)	138,153	(94,661)
Net Cash Provided by (Used in) Investing Activities	(1,520,660)	(3,254,788)
Net Change in Cash and Cash Equivalents	3,925,279	4,364,569
CASH AND CASH EQUIVALENTS, Beginning of Year	7,298,757	2,934,188
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,224,036	$ 7,298,757

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

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

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 2,346,046	$ 2,583,419
Noncash items in operating income		
Depreciation	4,734,238	4,923,306
Changes in assets and liabilities		
Receivables from participants	(620,723)	725,087
Receivables from related parties	1,960,237	(1,948,075)
Regulatory assets	760,797	922,599
Inventory	27,807	9,330
Prepaid expenses	11,447	93,984
Deferred inflow of resources	5,881,798	4,216,405
Accounts payable and accrued expenses	(371,474)	(494,511)
Payable to related parties	(2,295,810)	2,100,906
Accrued license fees	(75,065)	139,124
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,359,298	$ 13,271,574
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 11,224,036	$ 7,298,757
Funds held by trustee	7,853,537	6,194,724
Total Cash Accounts	19,077,573	13,493,481
Less: Non-cash equivalents	(7,853,537)	(6,194,724)
TOTAL CASH AND CASH EQUIVALENTS	$ 11,224,036	$ 7,298,757

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.

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.

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

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.

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.

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

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

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. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

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.

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 2017 or 2016.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

	Carrying Value as of December 31, 2017	Carrying Value as of December 31, 2016	Risks
Checking/Money Market Funds	$ 14,492,660	$ 10,114,905	Custodial credit
Government Money Market Mutual Fund	4,584,913	3,378,576	Credit, interest rate
Total Cash, Cash Equivalents, and Investments	$ 19,077,573	$ 13,493,481	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for accounts as of December 31, 2017 and 2016.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA 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, 2017 and 2016, 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, 2017 and 2016, there were no investments exposed to custodial credit risk.

Credit Risk

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

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

For years ended December 31, 2017 and 2016, OMEGA JV5's investments were rated as follows:

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OMEGA 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.

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.

OMEGA JV5 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date; Level 2 inputs are significant other observable inputs other than quoted prices in active markets included in Level 1; Level 3 inputs are the lowest priority unobservable inputs.

OMEGA JV5 has the following recurring fair value measurements for the years ended December 31:

		Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
2017	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 4,584,913
2016	Level 1	Government Money Market Mutual Fund	n/a	n/a	$ 3,378,579

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, 2017 and 2016, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

The following calculation supports the amount of restricted Net Position:

	2017	2016
Restricted Assets		
Certificate payment fund	$ 2,988,587	$ 3,094,909
Reserve and contingency fund	3,268,624	3,099,815
Bond redemption fund	1,596,326	-
Total restricted assets	$ 7,853,537	$ 6,194,724

NOTE 4 – UTILITY PLANT

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

	2017			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric Plant and Equipment	$ 186,665,717	253,577	-	$ 186,919,294
Land	431,881	-	-	431,881
Total Utility Plant in Service	187,097,598	253,577	-	187,351,175
Less: Accumulated depreciation	(82,927,866)	(4,734,238)	-	(87,662,104)
Utility Plant, Net	$ 104,169,732	$(4,480,661)	$ -	$ 99,689,071

	2016			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric Plant and Equipment	$ 186,665,717	-	-	$ 186,665,717
Land	431,881	-	-	431,881
Total Utility Plant in Service	187,097,598	-	-	187,097,598
Less: Accumulated depreciation	(78,010,889)	(4,923,306)	6,329	(82,927,866)
Utility Plant, Net	$ 109,086,709	$(4,923,306)	$ 6,329	$ 104,169,732

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.

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

	2017			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 317,673	$ -	$ -	$ 317,673

	2016			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 313,314	$ 6,329	$ (1,970)	$ 317,673

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the unit. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. Estimated values of ARO assets and obligations were prepared by an independent engineering consultant.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES AND NOTE PAYABLE

2016 Beneficial Interest Certificates

On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (“2016 Certificates”) in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2015 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Principal and interest on the 2016 Certificates are payable in monthly installments payable on the first business day of the month thereafter until the final maturity date of February 1, 2024. The 2016 Certificates bear interest at a variable rate, which is 70% of LIBOR plus a 59 basis point spread, and resets on a monthly basis.

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

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2016 Certificates at December 31, 2017 are as follows:

Maturity date	Principal Amount	Interest Rate
2018	$ 6,050,000	
2019	$ 6,150,000	
2020	$ 6,250,000	Variable
2021	$ 6,345,000	
2022	$ 6,450,000	
2023-2024	$ 7,655,000	
	$ 38,900,000	

On March 18, 2016, OMEGA JV5 entered into a five year interest rate swap agreement effective April 1, 2016 (the “Swap”) between U.S. Bank National Association, the counterparty to the Swap (the “Swap Provider”), related to the 2016 Certificates. Under this agreement, OMEGA JV5 will make payments based upon the fixed rate of 0.8585% per annum and in exchange the Swap Provider will make payments based upon a floating rate equal to 70% of the USD-LIBOR-BBA Index with a designated maturity of 30 days through the termination date of the Swap, which is February 15, 2021. The notional amount of the Swap is based on a schedule that amortizes to an amount approximately half of the balance outstanding on the 2016 Certificates.

The OMEGA JV5 Swap has the following fair value measurement as of December 31:

	Investment	Maturity Date	Fair Value at December 31, 2017	Fair Value at December 31, 2016
Level 3	Interest rate swap contracts	February 15, 2021	$ 253,327	$ 158,266

2001 Beneficial Interest Certificates

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.

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

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2017 are as follows:

Maturity Date	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	(22,067,924)	
Total	$ 34,057,076	

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.

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, 2017 and 2016, there were no participants unable to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

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

The fair value of the 2001 Certificates was estimated by using quoted market prices and is as follows:

	December 31, 2017		December 31,2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 34,057,076	$ 44,057,332	$ 32,249,232	$ 40,698,290

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

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
2016 certificates	$ 44,860,000	-	$ (5,960,000)	$ 38,900,000
2001 certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(23,875,768)	-	1,807,844	(22,067,924)
	77,109,232	-	(4,152,156)	72,957,076
Note payable	-	-	-	-
Less: Current maturities	-	-	-	-
	-	-	-	-
Asset retirement obligation	317,673	-	-	317,673
Accrued license fees	240,796	-	(75,065)	165,731
Totals	$ 77,667,701	$ -	$ (4,227,221)	$ 73,440,480

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

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
2016 certificates	$ -	$ 49,745,000	$ (4,885,000)	$ 44,860,000
2001 certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(25,587,812)	-	1,712,044	(23,875,768)
	30,537,188	49,745,000	(3,172,956)	77,109,232
Note payable	49,803,187	-	(49,803,187)	-
Less: Current maturities	(49,803,187)	-	49,803,187	-
	-	-	-	-
Asset retirement obligation	313,314	-	4,359	317,673
Accrued license fees	101,572	-	139,124	240,796
Totals	$ 30,952,174	$ 49,745,000	$ (3,029,473)	$ 77,667,701

Deferred inflow of resources at December 31 is as follows:

	2017	2016
Debt service billed to Participants for Certificates in excess of related expenses	$ 33,990,200	$ 32,275,861
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	10,453,684	6,617,120
Renewable Energy Credits	206,571	-
Fair Value of Interest Rate Swap	253,327	158,266
Inventories billed to Participants	130,245	130,245
Total Deferred Inflow of Resources	$ 45,034,027	$ 39,181,492

NOTE 8 – NET POSITION

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

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

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

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

The following calculation supports the net investment in capital assets:

	2017	2016
Plant assets	$ 186,919,294	$ 186,665,717
Land	431,881	431,881
Accumulated depreciation	(87,662,104)	(82,927,866)
Sub-Totals	99,689,071	104,169,732
Related debt:		
2016 beneficial interest certificates	38,900,000	44,860,000
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount – 2001 Beneficial interest certificates	(22,067,924)	(23,875,768)
Sub-Totals	72,957,076	77,109,232
Total Net Investment In Capital Assets	$ 26,731,995	$ 27,060,500

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. The OMEGA JV5 engines are affected by this rule and were in compliance by May 2013.

Many metropolitan and industrialized counties in Ohio may be declared non-attainment with the 2015 ozone standard. This determination by U.S. EPA could result in mandatory local reductions of nitrogen oxides, volatile organic compounds and/or fine particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to help achieve compliance in down-wind, neighboring states. Ohio Environmental Protection Agency may restrict the hours of operation or require additional pollution control equipment for the portions of the Project that are determined to impact non-attainment areas in Ohio or elsewhere.

OTHER COMMITMENTS

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

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There were no significant reductions in coverage in 2017.

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2017 and 2016 was $133,262 and $167,274, respectively. OMEGA JV5's payables to AMP as of December 31, 2017 and 2016 were $151,636 and $763,074, 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, 2017 and 2016 amounted to $3,020,382 and $2,119,609, respectively. OMEGA JV5's receivable from AMP as of December 31, 2017 was $0 and $1,973,487 receivable at December 31, 2016.

NOTE 11 – RELATED PARTY TRANSACTIONS (cont.)

- 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 $1,818,828 and $2,190,546 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV5 had payables to MESA of $97,240 and $1,773,337 at December 31, 2017 and 2016, respectively.

- During the year, Ohio Municipal Electric Association ("OMEA") provided certain legislative services for OMEGA JV5. OMEA is the legislative liaison for AMP and 80 Ohio community-owned-and-operated municipal electric systems. The expense related to these services was $6,943 and $8,938 for the years ended December 31, 2017 and 2016, respectively. OMEGA JV5 had payables to OMEA $579 and $8,855 as of December 31, 2017 and 2016, 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 $70,200 for each of the years ended December 31, 2017 and 2016.

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $140,065 and $193,022 for these services for the years ended December 31, 2017 and 2016, respectively.

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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, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA 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.

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 18, 2018