Ohio Municipal Electric Generation Agency Joint Venture 1

Financial Statements
December 31, 2003 and 2002

Auditor of State
Betty Montgomery

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5 and
Municipal Energy Services Agency

We have reviewed the Independent Auditor's Report of the Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5 and Municipal Energy Services Agency, Franklin County, prepared by PricewaterhouseCoopers LLP for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5 and Municipal Energy Services Agency is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 8, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1

In our opinion, the accompanying balance sheets and the statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") at December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV1's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, OMEGA JV1 adopted the Governmental Accounting Standards Board's ("GASB") new financial reporting model and Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* as of January 1, 2003.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. OMEGA JV1 has not presented the management's discussion and analysis for the year ended December 31, 2002 that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements for each year presented.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2004 on our consideration of OMEGA JV1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2003. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

April 12, 2004

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") for the year ended December 31, 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV1 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV1's basic financial statements include the balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The balance sheet provides information about the nature and amount of assets and liabilities of OMEGA JV1 as of the end of the year. The statement of revenues, expenses, and changes in net assets reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV1 as of December 31, 2003 and 2002.

Condensed Balance Sheets

	2003	2002	Dollar Change	Percentage Change
Assets				
Electric plant, net of accumulated depreciation	$ 299,392	$ 293,109	$ 6,283	2.1%
Current assets	196,576	166,543	30,033	18.0%
Regulatory assets	178,109	-	178,109	-
Total assets	$ 674,077	$ 459,652	$ 214,425	46.6%
Liabilities and Net Assets				
Current liabilities	$ 164,094	$ 13,191	$ 150,903	1144.0%
Asset retirement obligation	57,852	-	57,852	-
Net assets	452,131	446,461	5,670	1.3%
Total liabilities and net assets	$ 674,077	$ 459,652	$ 214,425	46.6%

Total assets increased $214,425 or 46.6%. The primary factors related to this increase was adopting Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* and recording a regulatory asset of $141,381 for future recovery from Participants of repair costs for damaged units. SFAS No. 143 required $33,949 to be added to gross electric assets, $11,693 to accumulated depreciation, and $32,930 as a regulatory asset at the date of adoption on January 1, 2003. The cash position increased $39,518 as a result of lower than expected operating expenses. In 2003, no capital assets were purchased.

Current liabilities increased $150,903 or 1144.0% in 2003. The majority of the increase related to accrued liabilities, which increased $141,381 as a result of accrued costs related to a lighting strike in 2003.

During a severe thunderstorm on August 27, 2003, lightning struck a nearby pole causing a ground fault sufficient to damage three of the six generators of OMEGA JV1. Attempts were made to recover this expense from insurance coverage. However, the estimated repair expense did not exceed the deductibles of the policy. An application was made to the Federal Emergency Management Association ("FEMA") in an attempt to recover some of the cost associated with repair of the units. FEMA declared an emergency in Summit County in August. However, the request for assistance was denied because the event occurred after FEMA's established cutoff date of August 25th. The three damaged generators were removed in December 2003 to better estimate the extent of the damage. Two of the units can be repaired, and the third generator requires rebuilding. The estimated cost to return the three units to service is $141,381. The units are expected to be returned to service in 2004.

Net assets increased $5,670 or 1.3%.

The following table summarizes the changes in revenues, expenses, and net assets of OMEGA JV1 for the year ended December 31, 2003.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2003	2002	Dollar Change	Percentage Change
Operating revenues	$ 185,737	$ 174,164	$ 11,573	6.6%
Operating expenses	181,237	149,339	31,898	21.4%
Operating income	4,500	24,825	(20,325)	(81.9)%
Nonoperating revenue				
Investment income	1,170	1,595	(425)	(26.6)%
Change in net assets	$ 5,670	$ 26,420	$ (20,750)	(78.5)%

The increase in operating revenue was $11,573 or 6.6%. OMEGA JV1's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expenses.

Operating expenses increased $31,898 or 21.4%, primarily as a result of increases in affiliated entity services, accretion and fuel. Accretion of the asset retirement obligation, the increase in depreciation expense for capitalized plant cost related to the asset retirement obligation and estimated repair expenses for the lightning strike have been capitalized as regulatory assets for future recovery from members. The OMEGA JV1 Board of Participants reviewed the estimated expenses for repairing the three generating units and approved the expenditure. In addition, the Board authorized a comprehensive evaluation of all six units for other major maintenance items that should be included with the generator repair. Once the evaluation is complete, it is expected that rates will be approved sufficient to cover the costs of returning the units to service. An increase in the cost of diesel fuel also increased operating expense by $10,437 or 42.3%. The amount of fuel consumed was nearly the same in 2003 as in 2002. The energy production was also nearly the same, with a total of 486 megawatt hours produced in 2003 versus 518 megawatt hours produced in 2002. Affiliated entity services increased $10,156, primarily due to investigation of possible recoveries from insurance companies or FEMA and evaluation of damage to the units related to the lightning strike.

Investment income consisted entirely of interest on cash accounts invested in overnight government backed securities held with a bank. Although the cash position increased, investment rates were lower in 2003 than in 2002.

Ohio Municipal Electric Generation Agency Joint Venture 1
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Electric plant		
Electric generators	$ 444,178	$ 410,229
Fuel tank	35,000	35,000
Accumulated depreciation	(179,786)	(152,120)
Total electric plant	299,392	293,109
Regulatory assets	178,109	-
Current assets		
Cash and cash equivalents	163,222	123,704
Receivables from participants	13,803	17,992
Receivable from related parties	-	3,368
Fuel inventory	12,769	14,088
Prepaid expenses	6,782	7,391
Total current assets	196,576	166,543
Total assets	$ 674,077	$ 459,652
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 299,392	$ 293,109
Unrestricted	152,739	153,352
Total net assets	452,131	446,461
Current liabilities		
Accounts payable and accrued expenses	160,766	13,191
Payable to related parties	3,328	-
Total current liabilities	164,094	13,191
Asset retirement obligation	57,852	-
Total net assets and liabilities	$ 674,077	$ 459,652

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 1
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues		
Electric revenue	$ 185,737	$ 174,164
Operating Expenses		
Affiliated entity services	53,479	43,323
Depreciation	15,973	14,841
Accretion expense	2,666	-
Fuel	35,118	24,681
Maintenance	182,837	27,808
Utilities	7,972	12,384
Insurance	16,821	16,584
Professional services	8,949	6,677
Other operating expenses	2,601	3,041
Future recoverable costs	(145,179)	-
Total operating expenses	181,237	149,339
Operating income	4,500	24,825
Nonoperating Revenues		
Investment income	1,170	1,595
Change in net assets	5,670	26,420
Net assets, beginning of year	446,461	420,041
Net assets, end of year	$ 452,131	$ 446,461

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 1
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

		2003		2002
Cash flows from operating activities				
Cash received from participants	$	189,926	$	168,347
Cash paid to related parties for personnel services		(49,837)		(43,323)
Cash payments to suppliers and related parties for goods and services		(101,741)		(102,845)
Net cash provided by operating activities		38,348		22,179
Cash flows from investing activities				
Investment income		1,170		1,595
Net cash provided by investing activities		1,170		1,595
Net change in cash and cash equivalents		39,518		23,774
Cash and cash equivalents, beginning of year		123,704		99,930
Cash and cash equivalents, end of year	$	163,222	$	123,704
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	4,500	$	24,825
Depreciation		15,973		14,841
Accretion expense		2,666		-
Future recoverable costs		(145,179)		-
Changes in assets and liabilities				
Receivables from participants		4,189		(5,817)
Receivables from related parties		3,368		(3,368)
Fuel inventory		1,319		(4,610)
Prepaid expenses		609		1,373
Accounts payable and accrued expenses		147,575		1,947
Payable to related parties		3,328		(7,012)
Net cash provided by operating activities	$	38,348	$	22,179

The accompanying notes are an integral part of these financial statements.

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") was organized by 21 subdivisions of the State of Ohio (the "Participants") on April 1, 1992, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio") Northeast Area Service Group. The Participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities, known as the Engle Units, from AMP-Ohio in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by OMEGA JV1.

Basis of Accounting

The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV1 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

OMEGA JV1 has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* in these financial statements effective January 1, 2003. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the current year's presentation. The restatement had no effect on the amount of net assets reported by OMEGA JV1. Management's Discussion and Analysis ("MD&A") introduces the basic financial statements and provides an analytical overview of OMEGA JV1's financial activities. The impact of this accounting change primarily relates to the format of the financial statements, the presentation of net assets, and the preparation of the statement of cash flows on the direct method.

Cash and Cash Equivalents

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.

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

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Fuel Inventory
Fuel inventory is stated at the lower of first-in, first-out ("FIFO") cost or market.

Asset Retirement Obligations
Effective January 1, 2003, OMEGA JV1 implemented Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets and Liabilities
In accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, OMEGA JV1 records regulatory assets (deferred expenses to be recovered in the future). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations and storm damage costs not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation liability and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Net Assets

All property constituting OMEGA JV1 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	1,894	21.05 %
Niles	1,593	17.71
Wadsworth	1,011	11.24
Hudson	934	10.37
Galion	588	6.53
Oberlin	497	5.52
Amherst	488	5.42
Hubbard	341	3.79
Columbiana	272	3.03
Wellington	265	2.95
Newton Falls	228	2.53
Monroeville	167	1.85
Lodi	155	1.72
Seville	135	1.50
Brewster	130	1.45
Grafton	105	1.16
Milan	64	0.71
Beach City	50	0.55
Prospect	45	0.50
Lucas	21	0.23
South Vienna	17	0.19
Total	9,000	100.00 %

Operating Revenue and Expenses

Electric revenue is recognized when earned as electric service is delivered. OMEGA JV1's rates for electric power are designed to cover annual operating costs. Rates are set annually by the Board of Participants.

Use of Estimates

The 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards
In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without subordinated financial support from other parties. This standard explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. FIN 46R is effective immediately for variable interest entities created after December 31, 2003 and is effective with the first annual period beginning after December 15, 2004 for entities created on or before December 31, 2003. OMEGA JV1 is currently evaluating the potential impact of the standard on its financial statements.

3. Electric Plant

Electric plant activity for the years ended December 31, 2003 and 2002 is as follows:

	2003		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 410,229	$ 33,949	$ 444,178
Fuel tank	35,000	-	35,000
Total electric plant in service	445,229	33,949	479,178
Less: Accumulated depreciation	(152,120)	(27,666)	(179,786)
Electric plant, net	$ 293,109	$ 6,283	$ 299,392

	2002		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 410,229	$ -	$ 410,229
Fuel tank	35,000	-	35,000
Total electric plant in service	445,229	-	445,229
Less: Accumulated depreciation	(137,279)	(14,841)	(152,120)
Electric plant, net	$ 307,950	$ (14,841)	$ 293,109

Additions in 2003 include $33,949 related to the capitalization of asset retirement obligations and associated accumulated amortization of $11,693 at the date of adoption of SFAS No. 143 on January 1, 2003.

4. Related Party Transactions

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV1 had a receivable from AMP-Ohio of \$314 and \$3,368 at December 31, 2003 and 2002, respectively.
- As OMEGA JV1's agent, AMP-Ohio 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 expenses related to these services were \$53,479 and \$43,323 for the years ended December 31, 2003 and 2002, respectively. OMEGA JV1 had a payable to MESA for \$3,642 and \$0 at December 31, 2003 and 2002, respectively.
- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of \$7,972 and \$12,384 for the years ended December 31, 2003 and 2002, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.

5. Cash and Cash Equivalents

At December 31, 2003 and 2002, the carrying amount of OMEGA JV1's operating cash deposits was \$163,222 and \$6,496, respectively, and the bank balance was \$163,222 and \$6,496, respectively. At December 31, 2003 and 2002, \$0 and \$117,208, respectively, was invested in certain money market funds. Periodically, cash on deposit is invested overnight in these funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV1. Amounts in the operating cash deposits and investments with the bank in excess of \$100,000 are not covered by federal depository insurance.

OMEGA JV1 categorizes its cash and cash equivalents into three categories based on risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by OMEGA JV1 or its agent in OMEGA JV1's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in OMEGA JV1's name.
- Category 3 is uncollateralized. This includes any bank balance that is collaterized with securities held by the pledging financial institution, or by its trust department or agent, but not in OMEGA JV1's name.

At December 31, cash and cash equivalents are categorized by risk as follows:

Risk Category	2003	2002
1	$ 100,000	$ 6,496
3	63,222	117,208
	$ 163,222	$ 123,704

6. Risk Management

OMEGA JV1 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio 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. To the extent that liabilities are incurred and the amount of the loss can be reasonably estimated, an accrual is recorded for any amount not covered by insurance and any deductibles related to the insurance policy.

During 2003, certain generating units incurred storm damage. OMEGA JV1 has recognized a liability for the estimated cost of repairs of $141,381. Insurance recoveries, if any, are uncertain.

7. Asset Retirement Obligations

Under the terms of lease agreements, OMEGA JV1 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.

Upon adoption of SFAS No. 143 on January 1, 2003, OMEGA JV1 recognized an asset retirement obligation liability in the amount of $55,186, a net increase to electric plant of $22,256, and a regulatory asset of $32,930. Because depreciation expense and accretion expense incurred, but not yet recovered through rates, are recognized as regulatory assets, there is no net cumulative effect on the change in net assets of adopting SFAS No. 143, nor would there have been a net effect on the change in net assets had OMEGA JV1 applied the provisions of SFAS No. 143 in 2002.

Asset retirement obligation activity for the year ended December 31, 2003 is as follows:

	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ -	$ 55,186	$ 2,666	$ 57,852

Proforma asset retirement obligation activity for the year ended December 31, 2003 and 2002 as if SFAS No. 143 had been applied during each year is as follows:

	2003 Pro Forma		
	Beginning Balance	Accretion Expense	Ending Balance
Asset retirement obligation	$ 55,186	$ 2,666	$ 57,852

	2002 Pro Forma		
	Beginning Balance	Accretion Expense	Ending Balance
Asset retirement obligation	$ 52,644	$ 2,542	$ 55,186

OMEGA JV1 determined the obligations, based on detailed 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 of 4.83%. 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.

8. Commitments and Contingencies

Participant Credit Risk

In March 2004, OMEGA JV1 became aware that a Participant is experiencing financial difficulties. At December 31, 2003, this Participant had approximately a 6% participation in OMEGA JV1. The Participant, with AMP-Ohio's and outside auditor's assistance, and the involvement of the office of the Auditor of the State of Ohio, is in the process of determining its financial position and cash flows. However, sufficient information is not currently available for OMEGA JV1 to determine the impact that the financial difficulties of the Participant may have, if any, on it's participation in OMEGA JV1.

Environmental Matters

The six diesel-fired generators at Cuyahoga Falls received a permit to install on September 13, 1989. The latest permit to operate was received on June 23, 1998 and expired on June 23, 2003. A permit to operate renewal application was submitted on March 31, 2003.

The OMEGA JV1 units are potentially affected by Maximum Achievable Control Technology ("MACT") standards. OMEGA JV1 has calculated the potential to emit hazardous air pollutants and determined that MACT standards for Reciprocating Internal Combustion Engines ("RICE") do not apply to any of the units at this facility.

Most metropolitan and industrialized counties in Ohio are expected to become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Summit County, Ohio, is expected to become a nonattainment area for ozone and possibly a nonattainment area for fine particulate matter. It is uncertain at this time what the impact on OMEGA JV1 will be.

In an August 2002 rule making, the Environmental Protection Agency ("EPA") clarified the Spill Prevention, Control, and Countermeasures ("SPCC") requirements for electric utilities. The existing SPCC plan will be amended to comply with the rule revision. The OMEGA JV1 facility will require secondary containment for the diesel generators, fuel piping, and tanker truck unloading operations. OMEGA JV1 is studying its containment options. It is uncertain at this time what the cost impact on OMEGA JV1 will be.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") at and for the year ended December 31, 2003, and have issued our report thereon dated April 12, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether OMEGA JV1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OMEGA JV1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Participants, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 12, 2004

Ohio Municipal Electric Generation Agency Joint Venture 2

Financial Statements
December 31, 2003 and 2002

Ohio Municipal Electric Generation Agency Joint Venture 2
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December 31, 2003 and 2002

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2

In our opinion, the accompanying balance sheets and the statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") at December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV2's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, OMEGA JV2 adopted the Governmental Accounting Standards Board's ("GASB") new financial reporting model and Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* as of January 1, 2003.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. OMEGA JV2 has not presented the management's discussion and analysis for the year ended December 31, 2002 that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements for each year presented.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 13, 2004 on our consideration of OMEGA JV2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2002. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

April 13, 2004

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") for the year ended December 31, 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV2 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV2's basic financial statements include the balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The balance sheet provides information about the nature and amount of assets and liabilities of OMEGA JV2 as of the end of the year. The statement of revenues, expenses, and changes in net assets reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV2 as of December 31, 2003 and 2002.

Condensed Balance Sheets

	2003	2002	Dollar Change	Percentage Change
Assets				
Electric Plant, net of accumulated depreciation	$ 49,224,263	$ 51,088,303	$ (1,864,040)	(3.6)%
Regulatory assets	354,099	-	354,099	100%
Restricted assets	373,209	343,347	29,862	8.7%
Current assets	1,035,282	1,042,304	(7,022)	(0.7)%
Total assets	$ 50,986,853	$ 52,473,954	$ (1,487,101)	(2.8)%
Liabilities and Net Assets				
Current liabilities	$ 151,537	$ 399,255	$ (247,718)	(62.0)%
Noncurrent liabilities	1,494,977	115,037	1,379,940	1199.6%
Net assets	49,340,339	51,959,662	(2,619,323)	(5.0)%
Total liabilities and net assets	$ 50,986,853	$ 52,473,954	$ (1,487,101)	(2.8)%

Total assets decreased $1,487,101 or 2.8%, in 2003. The primary factor related to this decrease was an increase in accumulated depreciation of $3,036,507 offset by an increase of $1,172,467 in electric generators and $354,099 in regulatory assets as a result of implementing Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations.*

Restricted assets increased $29,862 or 8.7% in 2003. This increase is primarily due to additional contributions by Participants to funds being held for overhaul of the electric plant.

Current assets decreased $7,022 or 0.7%, in 2003. There were no significant changes in individual current assets in 2003, which consisted of cash, accounts receivable, inventories and prepaid expenses.

Current liabilities decreased $247,718 or 62.0% in 2003 primarily as a result of a decrease in accounts payable and accrued expenses and the timing of payments made on outstanding amounts due to related parties.

Noncurrent liabilities increased $1,379,940 or 1,199.6% in 2003. The increase is primarily related to recognition of an asset retirement obligation from the implementation of SFAS No. 143.

The following table summarizes the changes in revenues, expenses, and changes in net assets of OMEGA JV2 for the year ended December 31, 2003.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2003	2002	Dollar Change	Percentage Change
Operating revenues	$ 2,254,659	$ 2,298,425	$ (43,766)	(1.9)%
Operating expenses	4,879,784	5,330,727	(450,943)	(8.5)%
Operating loss	(2,625,125)	(3,032,302)	407,177	(13.4)%
Nonoperating revenue				
Investment income	5,802	10,072	(4,270)	(42.4)%
Change in net assets	$ (2,619,323)	$ (3,022,230)	$ 402,907	(13.3)%

Rates for electric service are set by OMEGA JV2's Board of Participants and are intended to cover budgeted operating expenses (excluding depreciation) and actual fuel costs. OMEGA JV2 does not include in their rates any bond repayments by OMEGA JV2 financing members which are made directly to AMP-Ohio. The change in net assets reflects a loss of $2,619,323. Operating expenses include depreciation expense of $2,919,260 and $2,871,303 in 2003 and 2002, respectively. Absent the depreciation expense, the change in net assets is $299,937 and $150,927 in 2003 and 2002, respectively.

Operating revenues decreased $43,766 or 1.9% in 2003. The decrease in operating revenues is attributable to the decreased energy production from the generating units. Throughout the year the operation of the units is determined by comparing the cost of power generated by the units to the purchase power market. Accordingly, the Participants of JV2 may satisfy their power needs from other sources instead of operating the units. The diesel and natural gas fuel costs were higher than forecasted and effectively increased the operating cost of the units. In 2003 the energy production was 3,291 megawatt hours compared to 5,609 megawatt hours in 2002.

Operating expenses decreased $450,943 or 8.5% in 2003. The decrease in operating expenses is primarily attributable to the decreased energy production from the generating units and decreased maintenance on the units. Operating expenses decreased in all major operating areas (fuel $106,170, labor and expenses provided by related parties $174,903, and maintenance $96,933).

Investment income decreased $4,270 or 42.4%. This was the result of a decrease in interest rates.

Ohio Municipal Electric Generation Agency Joint Venture 2
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Electric plant and equipment		
Electric generators	$ 58,046,603	$ 56,874,136
Vehicles	33,100	33,100
Accumulated depreciation	(8,855,440)	(5,818,933)
Total electric plant and equipment	49,224,263	51,088,303
Regulatory assets	354,099	-
Restricted assets		
Funds held by trustee	228,928	228,310
Overhaul fund	144,281	115,037
Total restricted assets	373,209	343,347
Current assets		
Cash and cash equivalents	613,388	597,173
Receivables from participants	191,681	211,756
Inventory	125,144	111,045
Prepaid expenses	105,069	122,330
Total current assets	1,035,282	1,042,304
Total assets	$ 50,986,853	$ 52,473,954
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 49,224,263	$ 51,088,303
Restricted	373,209	343,347
Unrestricted	(257,133)	528,012
Total net assets	49,340,339	51,959,662
Current liabilities		
Accounts payable and accrued expenses	95,267	287,343
Payable to related parties	56,270	111,912
Total current liabilities	151,537	399,255
Noncurrent liabilities		
Deferred revenue	144,281	115,037
Asset retirement obligation	1,350,696	-
Total noncurrent liabilities	1,494,977	115,037
Total liabilities	1,646,514	514,292
Total net assets and liabilities	$ 50,986,853	$ 52,473,954

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 2
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues		
Electric revenue	$ 2,254,659	$ 2,298,425
Operating Expenses		
Related party services	708,047	882,950
Depreciation	2,919,260	2,871,303
Accretion expense	62,233	-
Fuel	318,835	425,005
Maintenance	508,365	605,298
Utilities	93,256	187,890
Insurance	238,779	240,595
Professional services	104,283	82,904
Other operating expenses	47,582	34,782
Future recoverable costs	(120,856)	-
Total operating expenses	4,879,784	5,330,727
Operating loss	(2,625,125)	(3,032,302)
Nonoperating Revenues		
Investment income	5,802	10,072
Change in net assets	(2,619,323)	(3,022,230)
Net assets, beginning of year	51,959,662	54,981,892
Net assets, end of year	$ 49,340,339	$ 51,959,662

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 2
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Cash received from participants	$ 2,303,978	$ 2,453,372
Cash paid to related parties for personnel services	(679,787)	(882,950)
Cash payments to suppliers and related parties for goods and services	(1,583,916)	(1,352,345)
Net cash provided by operating activities	40,275	218,077
Cash flows from capital and related financing activities		
Capital expenditures	-	(33,098)
Net cash used in capital and related financing activities	-	(33,098)
Cash flows from investing activities		
Deposit to overhaul fund	(29,244)	(79,198)
Purchases of investments	(455,513)	(1,466)
Proceeds from sale of investments	454,988	-
Investment income received	5,709	10,072
Net cash used in investing activities	(24,060)	(70,592)
Net change in cash and cash equivalents	16,215	114,387
Cash and cash equivalents, beginning of year	597,173	482,786
Cash and cash equivalents, end of year	$ 613,388	$ 597,173
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (2,625,125)	$ (3,032,302)
Depreciation	2,919,260	2,871,303
Accretion expense	62,233	-
Future recoverable costs	(120,856)	-
Deferred revenue	29,244	82,994
Changes in assets and liabilities		-
Receivables from participants	20,075	71,953
Inventory	(14,099)	10,221
Prepaid expenses	17,261	(14,714)
Accounts payable and accrued expenses	(192,076)	(164,080)
Payable to related parties	(55,642)	392,702
Net cash provided by operating activities	$ 40,275	$ 218,077

The accompanying notes are an integral part of these financial statements.

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") was organized by 36 subdivisions of the State of Ohio (the "Participants") on November 21, 2000, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code, and commenced operations on or about December 1, 2000. Its purpose is to provide backup and peaking capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). On December 27, 2001, OMEGA JV2 purchased 138.650 MW of electric plant generating units (the "Project") from AMP-Ohio. The Project is referred to as "distributed generation" because the units are sited near the Participants' municipal electric systems where it is anticipated they will serve. The Project consists of two 32 MW used gas-fired turbines, one 11 MW used gas-fired turbine and 34 1.825 MW new and one 1.6 MW used oil-fired and diesel turbines.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by OMEGA JV2.

Basis of Accounting

The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV2 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

OMEGA JV2 has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* in these financial statements effective January 1, 2003. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the current year's presentation. The restatement had no effect on the amount of net assets reported by OMEGA JV2. Management's Discussion and Analysis ("MD&A") introduces the basic financial statements and provides an analytical overview of OMEGA JV2's financial activities. The impact of this accounting change primarily relates to the format of the financial statements, the presentation of net assets, and the preparation of the statement of cash flows on the direct method.

Cash and Cash Equivalents

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.

Electric Plant and Equipment
Electric plant generating units and vehicles are recorded at cost. Depreciation is provided on the straight-line method over 20 years for generators and 3 years for vehicles, the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Investments
Investments of restricted assets are recorded at market with unrealized and realized gains and losses included in nonoperating revenues in the statements of operations. Gains and losses on investment transactions are determined on a specific-identification basis.

Inventory
Inventory consists of fuel used to operate the Project and is stated at the lower of first-in, first-out cost or market.

Asset Retirement Obligations
Effective January 1, 2003, OMEGA JV2 implemented SFAS No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets and Liabilities
In accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, OMEGA JV2 records regulatory assets (deferred expenses to be recovered in the future). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. Regulatory liabilities consist of deferred revenue related to amounts prepaid by the Participants for major repairs and maintenance, and is recorded as income when the related expenditure occurs.

Net Assets
The Project is owned by the Participants in undivided interests held either directly or in trust. Due to potential legal impediments to their holding direct interests in the Project, some participants purchase capacity and energy from the Project and have their undivided ownership interests held in trust for them by other participants acting as trustees. The respective ownership shares are as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87 %
Bowling Green	19,198	14.32
Niles	15,400	11.49
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Marys	4,000	2.98
Montpelier	4,000	2.98
Shelby	2,536	1.89
Versailles	1,660	1.24
Edgerton	1,460	1.09
Yellow Springs	1,408	1.05
Oberlin	1,217	0.91
Pioneer	1,158	0.86
Seville	1,066	0.80
Grafton	1,056	0.79
Brewster	1,000	0.75
Monroeville	764	0.57
Milan	737	0.55
Oak Harbor	737	0.55
Elmore	364	0.27
Jackson Center	300	0.22
Napoleon	264	0.20
Lodi	218	0.16
Genoa	199	0.15
Pemberville	197	0.15
Lucas	161	0.12
South Vienna	123	0.09
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.04
Arcanum	44	0.03
Custar	4	0.00
	134,081	100.00 %

Operating Revenue and Expenses
Electric revenue is recognized when earned as service is delivered. OMEGA JV2's rates for electric power are designed to cover annual operating costs, except depreciation. Rates are set annually by the Board of Participants.

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV2 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 6). Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

Use of Estimates
The 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.

New Accounting Standards
In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without subordinated financial support from other parties. This standard explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. FIN 46R is effective immediately for variable interest entities created after December 31, 2003 and is effective with the first annual period beginning after December 15, 2004 for variable interest entities created on or before December 31, 2003. OMEGA JV2 is currently evaluating the potential impact of the standard on its financial statements.

3. Electric Plant and Equipment

Electric plant and equipment activity for the year ended December 31, 2003 and 2002 is as follows:

	2003		
	Beginning Balance	**Additions**	**Ending Balance**
Electric generators	$ 56,874,136	$ 1,172,467	$ 58,046,603
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	56,907,236	1,172,467	58,079,703
Less: Accumulated depreciation	(5,818,933)	(3,036,507)	(8,855,440)
Electric plant and equipment, net	$ 51,088,303	$ (1,864,040)	$ 49,224,263

	2002		
	Beginning Balance	**Additions/ Adjustments**	**Ending Balance**
Electric generators	$ 57,223,774	$ (349,638)	$ 56,874,136
Vehicles	-	33,100	33,100
Total electric plant and equipment in service	57,223,774	(316,538)	56,907,236
Less: Accumulated depreciation	(2,947,630)	(2,871,303)	(5,818,933)
Electric plant and equipment, net	$ 54,276,144	$ (3,187,841)	$ 51,088,303

Additions in 2003 include $1,172,467 related to the capitalization of asset retirement obligations and associated accumulated amortization of $117,247 at the date of adoption of SFAS No. 143 on January 1, 2003.

4. Related Party Transactions

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV2 incurred expenses related to these services in the amount of $230,502 and $308,689 for the years ended December 31, 2003 and 2002, respectively, and had a payable to AMP-Ohio for $28,010 and $111,912 at December 31, 2003 and 2002, respectively.
- As OMEGA JV2's agent, AMP-Ohio 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 expenses related to these services were $477,545 and $574,261 for the years ended December 31, 2003 and 2002, respectively, and had a payable to MESA for $28,260 and $0 at December 31, 2003 and 2002, respectively.
- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $93,256 and $187,890 for these services for the years ended December 31, 2003 and 2002, respectively.

5. Cash and Cash Equivalents and Restricted Assets

At December 31, 2003 and 2002, the carrying amount of OMEGA JV2's operating cash deposits was $757,669 and $3,340, respectively, and the bank balance was $757,669 and $39,299, respectively. The difference between cash operating deposits and the bank balance, if any, is due to outstanding checks. At December 31, 2003 and 2002, $228,928 and $937,180, respectively, was invested in certain money market funds, including funds held as restricted assets. Periodically, cash on deposit is invested overnight in these funds, which invest principally in obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV2. Amounts in the operating cash deposits and investments with the bank in excess of $100,000 are not covered by federal depository insurance.

OMEGA JV2 categorizes its cash and cash equivalents and restricted assets into three categories based on risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by OMEGA JV2 or its agent in OMEGA JV2's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in OMEGA JV2's name.
- Category 3 is uncollateralized. This category includes any bank balance that is collaterized with securities held by the pledging financial institution, or by its trust department or agent, but not in OMEGA JV2's name.

Cash and cash equivalents and restricted assets are categorized by risk as follows:

Risk Category	2003	2002
1	$ 100,000	$ 3,340
3	886,597	937,180
	$ 986,597	$ 940,520

6. Acquisition of the Project

Pursuant to the Agreement, OMEGA JV2 purchased the Project and assumed related contracts from AMP-Ohio for a total purchase price of $58,570,598, less capacity payments received prior to the purchase of $1,761,557. OMEGA JV2 financed the initial purchase with a one year note payable to AMP-Ohio from OMEGA JV2. The Participants in OMEGA JV2 consist of financing and nonfinancing participants.

On January 21, 2002, AMP-Ohio issued $50,260,000 of 20-year fixed rate bonds on behalf of the financing participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. The nonfinancing participants in OMEGA JV2 contributed $12,665,886. The proceeds from the bond offering together with nonfinancing participant contributions were used to pay the note payable to AMP-Ohio.

In March 2004, OMEGA JV2 became aware that a Participant community is experiencing financial difficulties including, apparently, cash balances that are significantly less than indicated by the Participant's financial statements. At December 31, 2003, this Participant has an approximate 5% participation in Project financing. The Participant, with AMP-Ohio's and outside auditor's assistance, and the involvement of the office of the Auditor of the State of Ohio, is in the process of determining its financial position and cash flows. However, sufficient information is not currently available for AMP-Ohio to determine the impact that the financial difficulties of the Participant community may have, if any, on its participation in OMEGA JV2 or the Participant's ability to stay current with its obligations related to the Project financing.

7. Restricted Assets

Restricted assets include those assets comprising the Reserve and Contingency Fund and the Overhaul Fund, which are established and maintained pursuant to the Agreement. The investments were held in money market funds and cash equivalents with a cost and market value of $373,209 and $343,347 at December 31, 2003 and 2002, respectively.

The Agreement requires the Reserve and Contingency Fund to maintain a balance of $225,000. This amount was collected from the Participants in January 2001. Of this amount, $176,355 was collected from OMEGA JV2 participants who financed their capital contribution by participating in the bond issue. The fund is held by the bond trustee. In accordance with the trust indenture related to the bonds issued on behalf of OMEGA JV2 financing participants, amounts collected from financing participants may be used in the event of nonpayment of bond debt service.

OMEGA JV2 also collects and holds amounts from all participants to be reserved in an Overhaul Fund for future major maintenance and repairs.

8. Asset Retirement Obligations

Under the terms of lease agreements, OMEGA JV2 has an obligation to remove electric generators from the leased sites where the units are located and to perform certain restoration of the sites.

Upon adoption of SFAS No. 143 on January 1, 2003, OMEGA JV2 recognized an asset retirement obligation liability in the amount of $1,288,463, a net increase to electric plant of $1,055,220, and a regulatory asset of $233,243. Because depreciation expense and accretion expense incurred, but not yet recovered through rates, are recognized as regulatory assets, there is no net cumulative effect on the change in net assets of adopting SFAS No. 143, nor would there have been a net effect on the change in net assets had OMEGA JV2 applied the provisions of SFAS No. 143 in 2002.

Asset retirement obligation activity for the year ended December 31, 2003 is as follows:

	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ -	$ 1,288,463	$ 62,233	$ 1,350,696

Pro-forma asset retirement obligation activity for the year ended December 31, 2003 and 2002 as if SFAS No. 143 had been applied during each year is as follows:

	2003 Pro Forma		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,288,463	$ 62,233	$ 1,350,696

	2002 Pro Forma		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,229,097	$ 59,366	$ 1,288,463

OMEGA JV2 determined the obligations, based on detailed 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 of 4.83%. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit.

9. Risk Management

OMEGA JV2 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio 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. To the extent that liabilities are incurred and the amount of the loss can be reasonably estimated, an accrual is recorded for any amount not covered by insurance and any deductibles related to the insurance policy.

10. Legal Matters

In November 2000, AMP-Ohio was served with a complaint filed against it by Associated Electric, Inc. doing business as World Power ("World Power"), in the United States District Court. World Power claimed it was owed commissions from AMP-Ohio related to the purchase by AMP-Ohio from Delta Metals Company ("Delta") of two, 32 megawatt turbines, which are currently part of the Project. The complaint was settled by AMP-Ohio during 2002 for a payment of $185,000.

11. Status of Operating Permits (Unaudited)

The following table shows the status of the major operating permits required for the installation and operation of the Project Units.

Site	Type	MW/ Unit	Number of Units	Permit to Install Received	Permit to Operate Received	Emission Testing	Maximum Allowable Operating Hours (Rolling 12-months)
Bowling Green	Gas	32	1	8/18/99	Pending	Yes/Continuous Emissions Monitoring System ("CEMS") certification completed.	2,250
Bowling Green	Diesel	1.6	1	4/12/95	04/24/97, renewal submitted 02/17/00	Not required	452
Hamilton	Gas	32	1	8/18/99	Final pending appeal	Yes/CEMS certification completed.	2,250
St. Marys	Dual Fuel	11	1	12/8/99	Pending	Compliance testing successfully completed 12/06/00. Failed to meet short-term emissions limit for particulate matter while burning liquid fuel. Liquid fuel option abandoned. Will be re-permitted for natural gas only.	1,168
Edgerton*	Diesel	1.825	2	7/13/00	Pending	Compliance testing successfully completed 12/06/00.	1,200 per unit
Galion*	Diesel	1.825	3	7/13/00	Pending	Compliance testing completed. Failed to meet short-term emissions limit for sulfur dioxide. Violation episode resolved with Ohio EPA.	1,200 per unit
Bryan*	Diesel	1.825	6	7/14/99	Pending	Compliance testing successfully completed 01/07/00.	600 per unit

Site	Type	MW/ Unit	Number of Units	Permit to Install Received	Permit to Operate Received	Emission Testing	Maximum Allowable Operating Hours (Rolling 12-months)
Dover*	Diesel	1.825	6	7/14/99	Pending	Not required	3,600 for 6 units
Jackson Center*	Diesel	1.825	1	6/3/99	Pending	Not required	1,200
Montpelier*	Diesel	1.825	6	3/8/00	Pending	Compliance testing successfully completed 10/06/00.	600 per unit
Napoleon*	Diesel	1.825	3	7/14/99	Pending	Compliance testing successfully completed 01/07/00.	1,200 per unit
Seville*	Diesel	1.825	3	4/26/00	Pending	Compliance testing successfully completed.	3,600 for 3 units combined
Shelby*	Diesel	1.825	1	9/22/99	Pending	Compliance testing successfully completed 06/20/00.	1,200
Versailles*	Diesel	1.825	3	6/9/99	Pending	Compliance testing successfully completed 11/05/99. Notice of violation ("NOV") received from the local air agency on January 24, 2002 alleging emission limit violations due to excessive fuel consumption. NOV will be resolved by modifying the permit-to-install for a higher heat input rate.	1,200 per unit

* Units at these locations consume more fuel per hour than was originally permitted. OMEGA JV2 is correcting this problem through Permit to Install ("PTI") modifications. The PTI modification process has been successfully completed for the Galion site. OMEGA JV2 expects similar results for the other sites.

Final PTI from the Ohio Environmental Protection Agency (“OEPA”) have been received for the installation of each of the Project Units. These Permits to Install establish the maximum allowable operating hours for specific Project Units (or aggregate units in the cases of Dover and Seville) and allow the Project Units to operate for a period of one year following commencement of operations. Permits to Operate specific Project Units have been submitted by the required deadline to the OEPA and are pending. It is the policy of OEPA that the owner/operator of the specific Project Units may operate the units under the terms and conditions of the final Permit to Install until a final Permit to Operate is issued. OMEGA JV2 has no reason to believe that all the Project Units will not ultimately receive the Permits to Operate required for sustained operation of such units up to the maximum allowable operating hours.

The 32 MW combustion turbines in Bowling Green and Hamilton required Title V operating permits because they are affected units under the Acid Rain program. The remaining OMEGA JV2 units are permitted as synthetic minor facilities. Synthetic minor facilities are the lowest priority for operating permit processing at OEPA. In some cases, it may take years to receive a synthetic minor operating permit.

As noted in the table above, the dual fuel combustion turbine in St. Marys and one of the diesel engines in Galion failed to meet their short-term emissions limits for particulate matter and sulfur dioxide, respectively. The Galion problem was resolved when higher output settings were discovered. OEPA allowed OMEGA JV2 to revise the Permit to Install to reflect the higher fuel through-put and consequently higher sulfur dioxide emissions.

The St. Marys combustion turbine failed to meet its particulate matter standard while burning diesel fuel. The failure resulted in a notice of violation from the Ohio Environmental Protection Agency ("Ohio EPA"). Omega JV2 responded with a compliance plan. As part of the plan, the liquid fuel delivery system was upgraded, and subsequent tests were performed using a fuel additive. The testing was performed in December 2002, and while significant improvement was achieved in the performance of the unit, the particulate emissions measured during the test did not meet the requirement established by the Ohio EPA. OMEGA JV2 is exploring alternatives for utilizing the fuel storage and transfer facilities, along with modifications to the Ohio EPA permit that would make a single high fuel unit operating on natural gas only.

All OMEGA JV2 units are potentially affected by the maximum achievable control technology ("MACT") standards. OMEGA JV2 has calculated the potential hazardous air pollutant ("HAP") emissions at each site and determined the MACT standards for reciprocating internal combustion engines ("RICE") and combustion turbines are not applicable because major source thresholds are not exceeded.

Most metropolitan and industrialized counties in Ohio are expected to become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, nitrogen oxides and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Butler (Hamilton), Medina (Seville), and Wood (Bowling Green) counties are expected to become non-attainment areas for ozone and possibly non-attainment areas for fine particulate matter. It is uncertain at this time what the impact on OMEGA JV2 will be.

The existing Spill Prevention, Control and Countermeasure ("SPCC") plans for the OMEGA JV2 peaking plants will be amended to comply with the EPA rule revision that went into effect August 2002. These facilities will require secondary containment for the diesel generators, fuel piping, and tanker truck unloading operations. OMEGA JV2 is studying the containment options and preparing a plan to upgrade the highest risk facilities first. It is uncertain at this time what the impact will be on the OMEGA JV2 financial position or results of operations.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2

We have audited the general-purpose financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") at and for the year ended December 31, 2003, and have issued our report thereon dated April 13, 2004. 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.

Compliance
As part of obtaining reasonable assurance about whether OMEGA JV2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Participants, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 13, 2004

Ohio Municipal Electric Generation Agency Joint Venture 4

Financial Statements
December 31, 2003 and 2002

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4

In our opinion, the accompanying balance sheets and the statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") at December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV4's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, OMEGA JV4 adopted the Governmental Accounting Standards Board's ("GASB") new financial reporting model and Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* as of January 1, 2003.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. OMEGA JV4 has not presented the management's discussion and analysis for the year ended December 31, 2002 that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements for each year presented.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 13, 2004 on our consideration of OMEGA JV4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2002. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

April 13, 2004

Financial Statement Overview
This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the year ended December 31, 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV4 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV4's basic financial statements include the balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The balance sheet provides information about the nature and amount of assets and liabilities of OMEGA JV4 as of the end of the year. The statement of revenues, expenses, and changes in net assets report revenues and expenses and the change in net assets for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.

Financial Highlights
The following table summarizes the financial position of OMEGA JV4 as of December 31, 2003 and 2002.

Condensed Balance Sheets

	2003	2002	Dollar Change	Percentage Change
Assets				
Transmission line, net of accumulated depreciation	$ 1,532,113	$ 1,596,792	$ (64,679)	(4.1)%
Current assets	859,108	679,441	179,667	26.4%
Total assets	$ 2,391,221	$ 2,276,233	$ 114,988	5.1%
Liabilities and Net Assets				
Current liabilities	$ 17,021	$ 10,695	$ 6,326	59.1%
Net assets	2,374,200	2,265,538	108,662	4.8%
Total liabilities and net assets	$ 2,391,221	$ 2,276,233	$ 114,988	5.1%

Total assets increased $114,988 or 5.1%. This increase is a result of an increase in current assets of $179,667, partially offset by a decrease in electric plant of $64,679, primarily as a result of depreciation.

Current assets increased $179,667 or 26.4% in 2003. Cash increased $268,654 primarily due to higher than budgeted revenues and lower than budgeted operations and maintenance expenses. Accounts receivable and prepaid expenses increased by $41,304 and $517, respectfully. Obsolete inventory totaling $130,808 was charged to expense during the year.

Current liabilities increased $6,326 or 59.1% in 2003 due to an increase in accrued expenses and amounts due to related parties for personnel services.

Net assets increased $108,622 or 4.8% in 2003 after distributions to participants totaling $361,306 during the year.

The following table summarizes the changes in revenues, expenses, and net assets of OMEGA JV4 for the year ended December 31, 2003.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2003	2002	Dollar Change	Percentage Change
Operating revenues	$ 752,731	$ 743,490	$ 9,241	1.2%
Operating expenses	287,882	221,087	66,795	30.2%
Operating income	464,849	522,403	(57,554)	(11.0)%
Nonoperating revenue				
Investment income	5,119	5,481	(362)	(6.6)%
Change in net assets from operations	$ 469,968	$ 527,884	$ (57,916)	(11.0)%

Operating revenues increased $9,241 or 1.2% in 2003. Transmission revenues are established according to contracts and operating budgets that are approved annually by the participants.

Operating expenses increased $66,795 or 30.2% in 2003 due primarily to increased expense for the write-off of obsolete inventory, partially offset by reduced costs for professional services.

Investment income decreased $362 or 6.6% due to lower interest rates in 2003.

Ohio Municipal Electric Generation Agency Joint Venture 4
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Utility plant		
Transmission line	$ 2,066,398	$ 2,061,638
Accumulated depreciation	(534,285)	(464,846)
Total utility plant	1,532,113	1,596,792
Current assets		
Cash and cash equivalents	727,295	458,641
Receivables	117,942	80,452
Receivable from related party	11,521	7,707
Supplies inventory	-	130,808
Prepaid expenses	2,350	1,833
Total current assets	859,108	679,441
Total assets	$ 2,391,221	$ 2,276,233
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 1,532,113	$ 1,596,792
Unrestricted	842,087	668,746
Total net assets	2,374,200	2,265,538
Current liabilities		
Accrued expenses	12,527	10,695
Payable to related party	4,494	-
Total current liabilities	17,021	10,695
Total net assets and liabilities	$ 2,391,221	$ 2,276,233

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 4
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues		
Transmission revenue	$ 752,731	$ 743,490
Operating Expenses		
Related party personnel services	57,042	42,927
Depreciation	69,439	69,723
Maintenance	130,957	27,739
Professional services	13,342	70,518
Other operating expenses	17,102	10,180
Total operating expenses	287,882	221,087
Operating income	464,849	522,403
Nonoperating Revenues		
Investment income	5,119	5,481
Income before distributions	469,968	527,884
Distributions to participants		
Bryan	(151,874)	(150,931)
Pioneer	(108,182)	(107,808)
Montpelier	(90,401)	(89,840)
Edgerton	(10,849)	(10,781)
Total distributions	(361,306)	(359,360)
Change in net assets	108,662	168,524
Net assets, beginning of year	2,265,538	2,097,014
Net assets, end of year	$ 2,374,200	$ 2,265,538

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 4
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Cash received from participants and customers	$ 715,241	$ 710,960
Cash paid to related parties for personnel services	(52,548)	(42,927)
Cash paid to suppliers and related parties for goods and services	(33,092)	(187,201)
Net cash provided by operating activities	629,601	480,832
Cash flows from noncapital financing activities		
Distributions to participants	(361,306)	(359,360)
Net cash used in noncapital financing activities	(361,306)	(359,360)
Cash flows from capital and related financing activities		
Capital expenditures	(4,760)	-
Net cash used in capital and related financing activities	(4,760)	-
Cash flows from investing activities		
Investment income received	5,119	5,481
Net cash provided by investing activities	5,119	5,481
Net change in cash and cash equivalents	268,654	126,953
Cash and cash equivalents, beginning of year	458,641	331,688
Cash and cash equivalents, end of year	$ 727,295	$ 458,641
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 464,849	$ 522,403
Depreciation	69,439	69,723
Changes in assets and liabilities		
Receivables	(37,490)	(32,531)
Receivable from related party	(3,814)	(7,707)
Supplies inventory	130,808	-
Prepaid expenses	(517)	(916)
Accrued expenses	1,832	2,376
Payable to related party	4,494	(72,516)
Net cash provided by operating activities	$ 629,601	$ 480,832

The accompanying notes are an integral part of these financial statements.

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") was organized by four subdivisions of the State of Ohio (the "Participants") on December 1, 1995, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Williams County Transmission Project (the "Project"). The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). OMEGA JV4 owns and operates the Project. The Project consists of a 69-kW three-phase transmission line located in Williams County, Ohio. During 2003 and 2002, OMEGA JV4 derived a majority of its revenue from a single municipal customer.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by OMEGA JV4.

Basis of Accounting
The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV4 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

OMEGA JV4 has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* in these financial statements effective January 1, 2003. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the current year's presentation. The restatement had no effect on the amount of net assets reported by OMEGA JV4. Management's Discussion and Analysis ("MD&A") introduces the basic financial statements and provides an analytical overview of OMEGA JV4's financial activities. The impact of this accounting change primarily relates to the format of the financial statements, the presentation of net assets, and the preparation of the statement of cash flows on the direct method.

Cash and Cash Equivalents
For purposes of the statements of the 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.

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

The transmission line is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an 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

Effective January 1, 2003, OMEGA JV4 implemented Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV4 has determined that the asset retirement obligation associated with the transmission line has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV4 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Supplies Inventory

Supplies inventory includes poles, wire and other items designated for use in the repair and maintenance and the construction of future phases of the transmission line and is stated at the lower of first in, first out ("FIFO") cost or market. During 2003, OMEGA JV4 evaluated its supplies inventory and determined that it was obsolete which resulted in recognition of an expense of $130,808 during the period.

Net Assets

All property constituting OMEGA JV4 is owned by the Participants as tenants in common in undivided shares, each share being equal to that participant's percentage ownership interest as follows:

Municipality	**Percent Project Ownership and Entitlement**
Bryan	42.00 %
Pioneer	30.00 %
Montpelier	25.00 %
Edgerton	3.00 %
Total	100.00 %

Operating Revenue and Expenses

Operating revenues are recognized when transmission service is delivered. OMEGA JV4's rates for transmission service are set by contracts with the customers.

Use of Estimates
The preparation of the 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards
In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without subordinated financial support from other parties. This standard explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. FIN 46R is effective immediately for variable interest entities created after December 31, 2003 and is effective with the first annual period beginning after December 15, 2004 for entities created on or before December 31, 2003. OMEGA JV4 is currently evaluating the potential impact of the standard on its financial statements.

3. Utility Plant

Utility plant activity for the years ended December 31, 2003 and 2002 is as follows:

	2003		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,061,638	$ 4,760	$ 2,066,398
Less: Accumulated depreciation	(464,846)	(69,439)	(534,285)
Utility plant, net	$ 1,596,792	$ (64,679)	$ 1,532,113

	2002		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,061,638	$ -	$ 2,061,638
Less: Accumulated depreciation	(395,123)	(69,723)	(464,846)
Utility plant, net	$ 1,666,515	$ (69,723)	$ 1,596,792

4. Related Party Transactions

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV4 had receivables from AMP-Ohio of $11,521 and $7,707 at December 31, 2003 and 2002, respectively.
- As OMEGA JV4's agent, AMP-Ohio entered into an agreement with the Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services to OMEGA JV4. The expenses related to these services were $57,042 and $42,927 for the years ended December 31, 2003 and 2002, respectively. OMEGA JV4 had a payable to MESA of $4,494 and $0 at December 31, 2003 and 2002, respectively.

5. Cash and Cash Equivalents

At December 31, 2003 and 2002, the carrying amount of OMEGA JV4's operating cash deposits was $727,295 and $2,993, respectively, and the bank balance was $727,295 and $4,014, respectively. The difference between operating cash deposits and the bank balance, if any, is due to outstanding checks. At December 31, 2003 and 2002, $0 and $455,648, respectively, was invested in certain money market funds. Periodically, cash on deposit is invested overnight in these funds, which consist principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV4. Amounts in the operating cash deposits and investments with the bank in excess of $100,000 are not covered by federal depository insurance.

The Board of Participants have designated $552,584 and $293,453 of cash and cash equivalents as an operations and maintenance reserve fund at December 31, 2003 and 2002, respectively.

OMEGA JV4 categorizes its cash and cash equivalents into three categories based on risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by OMEGA JV4 or its agent in OMEGA JV4's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in OMEGA JV4's name.
- Category 3 is uncollateralized. This includes any bank balance that is collaterized with securities held by the pledging financial institution, or by its trust department or agent, but not in OMEGA JV4's name.

Cash and cash equivalents are categorized by risk as follows:

Risk Category	**2003**	**2002**
1	$ 100,000	$ 2,993
3	627,295	455,648
	$ 727,295	$ 458,641

6. Risk Management

OMEGA JV4 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. OMEGA JV4 is self-insured for property damage risks related to its transmission line. To the extent that liabilities are incurred and the amount of the loss can be reasonably estimated, an accrual is recorded for any amount not covered by insurance and any deductibles related to the insurance policy.

7. Commitments and Contingencies

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters.

OMEGA JV4 has been involved in litigation with Toledo Edison Co. related to power sales to an industrial customer. In May 1999, the Ohio Court of Appeals upheld a lower court's decision to dismiss the complaint by Toledo Edison Co. in full, except for one count which it remanded back to the lower court for trial on the merits. On November 15, 2000, the Ohio Supreme Court reversed and remanded the appellate court decision, which had affirmed the trial court's dismissal. Effective September 27, 2002, OMEGA JV4 entered into a settlement agreement whereby both parties consented to the entry of a permanent injunction and declaratory judgment on the terms that OMEGA JV4 is permanently enjoined from providing power sales to an industrial customer but may provide transmission service to the municipal which services the industrial customer.

Transmission revenue in 2003 was derived primarily from sales to two municipalities, 83% from a nonparticipant and 17% from a Participant. A decision by the nonparticipant to purchase transmission service from a different provider at the end of the current contract which expires October 31, 2005, would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") at and for the year ended December 31, 2003, and have issued our report thereon dated April 13, 2004. 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.

Compliance
As part of obtaining reasonable assurance about whether OMEGA JV4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV4's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Participants, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 13, 2004

Ohio Municipal Electric Generation Agency Joint Venture 5

Financial Statements
December 31, 2003 and 2002

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

In our opinion, the accompanying balance sheets and the statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") at December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV5's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, OMEGA JV5 adopted the Governmental Accounting Standards Board's ("GASB") new financial reporting model and Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* as of January 1, 2003.

The management's discussion and analysis on pages 2 through 4 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. OMEGA JV5 has not presented the management's discussion and analysis for the year ended December 31, 2002 that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements for each year presented.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 13, 2004 on our consideration of OMEGA JV5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2002. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

April 13, 2004

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 year ended December 31, 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV5 prepares their 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 balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The balance sheet 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 assets report revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV5 as of December 31, 2003 and 2002.

Condensed Balance Sheets

	2003	2002	Dollar Change	Percentage Change
Assets				
Utility plant	$ 164,682,404	$ 169,706,601	$ (5,024,197)	(3.0)%
Restricted assets	18,517,723	18,792,028	(274,305)	(1.5)%
Other assets	4,940,204	5,349,064	(408,860)	(7.6)%
Current assets	6,964,481	6,509,370	455,111	7.0%
Total assets	$ 195,104,812	$ 200,357,063	$ (5,252,251)	(2.6)%
Liabilities and net assets				
Net certificates of beneficial interest	$ 144,610,340	$ 147,253,288	$ (2,642,948)	(1.8)%
Liabilities payable from restricted assets	6,355,667	6,433,456	(77,789)	(1.2)%
Deferred revenue	34,912,294	37,332,654	(2,420,360)	(6.5)%
Current liabilities	1,332,937	2,138,365	(805,428)	(37.7)%
Net assets	7,893,574	7,199,300	694,274	9.6%
Total liabilities and net assets	$ 195,104,812	$ 200,357,063	$ (5,252,251)	(2.6)%

Total assets decreased $5,252,251 or 2.6% due primarily to the increase in accumulated depreciation which accounted for $4,678,447 of the change.

Utility plant decreased $5,024,197 or 3.0%, of which $4,678,447 was related to depreciation expense, $293,251 related to a refund from the Army Corp of Engineers and land sold to the State of Ohio at the original purchase price of $52,499 for preservation of natural resources.

Restricted assets consisted entirely of cash and cash equivalents required to be held by trustee for debt service. The decrease of $274,305 or 1.5% reflects lower investment returns on these assets. Cash is invested in short-term government agency notes.

Other assets consist of a prepaid dedicated capacity contract in the amount of $1,269,045 which is being amortized through May 2009. Also in this category is $3,671,159 in prepaid bond insurance and issuance costs, relating to Certificates of Beneficial Interest. These costs are expensed over the life of the debt issues.

Current assets increased by $455,111 or 7.0% in 2003. This increase related to an increase in unrestricted cash of $412,226 and accounts receivable of $87,077, partially offset by a decrease in prepaids of $45,815.

Total liabilities and net assets decreased $5,252,251 or 2.6% due primarily to repayments of debt of $3,445,000 and a decrease in deferred revenue of $ 2,420,360, partially offset by an increase in the unamortized discount on the certificates of beneficial interest of $977,052.

Net certificates of beneficial interest, including amounts currently payable from restricted assets, decreased $2,467,948. The 1993 bond issue repaid $3,445,000 and $3,620,000 is payable on February 17, 2004. The 1993 bond issue recognized $134,602 in expense related to the unamortized discount. The 2001 beneficial interest certificates recognized $842,450 in interest expense due to accretion.

Liabilities payable from restricted assets decreased $77,789. These assets are cash and cash equivalents required by 1993 bond issue. All cash is invested in short-term government agency notes.

Deferred revenue decreased $2,420,360 to recognize amounts collected from Participants for costs that are amortized in future periods for accounting purposes. Such costs primarily include depreciation taken over life of facility, Oberlin dedicated capacity and 1993 and 2001 bond issue costs.

Current liabilities decreased $805,428. The decrease is primarily attributable to a decrease in accrued Federal Regulatory Commission Agency ("FERC") license fees of $1,083,250, offset by an increase in amounts payable for purchased power of $300,000. The cost of FERC licenses on the Project has been accrued each year since the Project went into operations. In 2003, OMEGA JV5 paid the accrued license fees.

The following table summarizes the changes in revenues, expenses, and the change in net assets of OMEGA JV5 for the year ended December 31, 2003.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2003	2002	Dollar Change	Percentage Change
Operating revenues	$ 22,578,605	$ 22,058,776	$ 519,829	2.4%
Operating expenses	22,030,224	21,652,439	377,785	1.7%
Operating margin	548,381	406,337	142,044	35.0%
Nonoperating revenue				
Investment income	179,892	465,649	(285,757)	(61.4)%
Realized loss on market value of investments	-	(141,286)	141,286	(100.0)%
Loss on sale of land	(33,999)	-	(33,999)	100.0%
Total nonoperating revenue	145,893	324,363	(178,470)	(55.0)%
Net assets	$ 694,274	$ 730,700	$ (36,426)	(5.0)%

Operating revenues increased $519,829 or 2.4% in 2003. This increase is due to record energy production from the plant in 2003. The total energy produced was 288,373 megawatt-hours in 2003 compared to 256,546 megawatt-hours in 2002. The increased energy production is the result of a wetter than normal summer season that provided sufficient water flow to maintain a more consistent plant output.

Nonoperating revenues decreased $178,470 or 55%. This related to lower interest rates on trust funds of $(285,757), and loss on the sale of land to the state of Ohio of $(33,999). In 2002, the trust held long-term US Treasury securities (ten years) that had a recognized change in market value of $141,286 upon maturity.

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Utility plant		
Electric plant in service	$ 186,288,814	$ 186,582,065
Land	431,881	484,380
Accumulated depreciation	(22,038,291)	(17,359,844)
Total utility plant	164,682,404	169,706,601
Restricted assets—funds held by trustee	18,517,723	18,792,028
Current assets		
Cash and cash equivalents	5,864,534	5,452,308
Receivables from participants	797,658	710,581
Inventory	47,019	45,396
Prepaid expenses	255,270	301,085
Total current assets	6,964,481	6,509,370
Other assets		
Prepaid dedicated capacity	1,269,045	1,503,330
Prepaid bond insurance	1,840,832	1,930,304
Certificates of beneficial interest issuance costs	1,830,327	1,915,430
Total other assets	4,940,204	5,349,064
Total assets	$ 195,104,812	$ 200,357,063

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 16,452,064	$ 19,008,313
Restricted	18,517,723	18,792,028
Unrestricted	(27,076,213)	(30,601,041)
Total net assets	7,893,574	7,199,300
Certificates of beneficial interest		
1993 beneficial interest certificates	131,355,000	134,975,000
Unamortized discount	(2,613,968)	(2,748,570)
	128,741,032	132,226,430
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(40,255,692)	(41,098,142)
	15,869,308	15,026,858
Net certificates of beneficial interest, noncurrent	144,610,340	147,253,288
Liabilities payable from restricted assets		
Accrued interest	2,735,667	2,800,260
Construction retainage payable	-	188,196
Certificates of beneficial interest, current	3,620,000	3,445,000
Total liabilities payable from restricted assets	6,355,667	6,433,456
Current liabilities		
Accounts payable and accrued expenses	1,210,723	2,005,833
Payable to related parties	122,214	132,532
Total current liabilities	1,332,937	2,138,365
Deferred revenue	34,912,294	37,332,654
Total net assets and liabilities	$ 195,104,812	$ 200,357,063

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5
Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues		
Electric revenue	$ 22,578,605	$ 22,058,776
Operating Expenses		
Purchased power	4,897,469	4,540,125
Related party services	1,224,703	1,044,991
Depreciation and amortization	5,087,307	5,139,204
Maintenance	305,674	341,937
Utilities	116,010	103,239
Insurance	486,575	449,725
Professional services	195,672	96,718
Payment in lieu of taxes	839,975	839,975
Other operating expenses	583,144	676,269
Interest expense	8,293,695	8,420,256
Total operating expenses	22,030,224	21,652,439
Operating income	548,381	406,337
Nonoperating Revenues		
Investment income	179,892	465,649
Realized loss on market value of investment at maturity	-	(141,286)
Loss on sale of land	(33,999)	-
Total nonoperating revenues	145,893	324,363
Change in net assets	694,274	730,700
Net assets, beginning of year	7,199,300	6,468,600
Net assets, end of year	$ 7,893,574	$ 7,199,300

The accompanying notes are an integral part of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Cash received from participants	$ 20,071,168	$ 20,317,853
Cash paid to related parties for personnel services	(1,152,301)	(1,044,991)
Cash payments to suppliers and related parties for goods and services	(15,639,393)	(14,045,675)
Net cash provided by operating activities	3,279,474	5,227,187
Cash flows from capital and related financing activities		
Capital expenditures	-	(514,855)
Proceeds from sale of land	18,500	-
Settlement of contractor disputes	105,055	-
Payments on certificates of beneficial interest	(3,445,000)	(3,280,000)
Net cash used in capital and related financing activities	(3,321,445)	(3,794,855)
Cash flows from investing activities		
Purchases of investments	(93,307,346)	(31,895,996)
Proceeds from sale of investments	93,580,462	31,722,374
Investment income received	181,081	867,634
Net cash provided by investing activities	454,197	694,012
Net change in cash and cash equivalents	412,226	2,126,344
Cash and cash equivalents, beginning of year	5,452,308	3,325,964
Cash and cash equivalents, end of year	$ 5,864,534	$ 5,452,308
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 548,381	$ 406,337
Depreciation	4,678,447	4,720,484
Amortization of other assets	408,860	418,721
Amortization of discount on certificates of beneficial interest	977,052	932,393
Deferred revenue	(2,420,360)	(2,668,956)
Changes in assets and liabilities		
Receivables from participants	(87,077)	928,033
Receivables from related parties	-	556,143
Inventory	(1,623)	70,510
Prepaid expenses	45,815	(59,437)
Accrued interest	(64,593)	(61,500)
Construction retainage payable	-	(85,290)
Accounts payable and accrued expenses	(795,110)	794,440
Payable to related parties	(10,318)	132,532
Accounts payable to trustee	-	(857,223)
Net cash provided by operating activities	$ 3,279,474	$ 5,227,187
Supplemental disclosure of noncash activities		
Reduction of construction retainage payable and utility plant	$ 188,196	$ 100,961

The accompanying notes are an integral part of these financial statements.

1. Organization

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-Ohio, Inc. ("AMP-Ohio"). 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 Certificates of Beneficial Interest (the "Certificates"). The Certificates evidence the obligation of the Participants to pay for the cost of the Project from revenues of their electric systems.

2. Summary of Significant Accounting Policies

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

Basis of Accounting
The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV5 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

OMEGA JV5 has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* in these financial statements effective January 1, 2003. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the current year's presentation. The restatement had no effect on the amount of net assets reported by OMEGA JV5. Management's Discussion and Analysis ("MD&A") introduces the basic financial statements and provides an analytical overview of OMEGA JV5's financial activities. The impact of this accounting change primarily relates to the format of the financial statements, the presentation of net assets, and the preparation of the statement of cash flows on the direct method.

Cash and Cash Equivalents
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.

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

The Project was placed in service in May 1999. However, a portion of the proceeds from the Certificates was not fully paid to vendors until 2001. Accordingly, interest earned and realized and unrealized gains and losses on investments, through the disbursements date, have been reflected in the cost of utility plant.

Utility plant assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Investments
Investments of restricted assets are recorded at market with unrealized and realized gains and losses included in the statements of revenue, expenses, and changes in net assets. Gains and losses on investment transactions are determined on a specific-identification basis.

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

Asset Retirement Obligations
Effective January 1, 2003, OMEGA JV5 implemented Statement of Financial Accounting Standards (“SFAS”) No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. 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 the asset retirement obligation associated with the electric plant has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV5 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Operating Revenue 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.

Deferred revenue represents amounts prepaid by the Participants for debt service payments and contributions to the Reserve and Contingency Fund. Deferred revenue related to debt service payments is amortized on a basis which allows the related depreciation expense, interest expense and billings to the Participants for debt service to have no net impact on operating margins.

Net Assets

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
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
	42,000	100.00 %

Use of Estimates
The 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.

New Accounting Standards
In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without subordinated financial support from other parties. This standard explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. FIN 46R is effective immediately for variable interest entities created after December 31, 2003 and is effective with the first annual period beginning after December 15, 2004 for variable interest entities created on or before December 31, 2003. OMEGA JV5 is currently evaluating the potential impact of the standard on its financial statements.

3. Utility Plant

Utility plant activity for the years ended December 31, 2003 and 2002 is as follows:

	2003			
	Beginning Balance	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Utility plant	$ 186,582,065	$ -	$ (293,251)	$ 186,288,814
Land	484,380	-	(52,499)	431,881
Total utility plant in service	187,066,445	-	(345,750)	186,720,695
Less: Accumulated depreciation	(17,359,844)	(4,678,447)	-	(22,038,291)
Utility plant, net	$ 169,706,601	$ (4,678,447)	$ (345,750)	$ 164,682,404

	2002			
	Beginning Balance	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Utility plant	$ 186,168,171	$ 514,855	$ (100,961)	$ 186,582,065
Land	484,380	-	-	484,380
Total utility plant in service	186,652,551	514,855	(100,961)	187,066,445
Less: Accumulated depreciation	(12,639,360)	(4,720,484)	-	(17,359,844)
Utility plant, net	$ 174,013,191	$ (4,205,629)	$ (100,961)	$ 169,706,601

During each of the years ended December 31, 2003 and 2002, OMEGA JV5 settled disputes with certain contractors over matters related to the construction of the Project. The settlements reduced the utility plant in service cost by $293,251 and $100,961 in 2003 and 2002, respectively.

4. Related Party Transactions

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2003 and 2002 was $311,925 and $263,128, respectively. OMEGA JV5 had payables to AMP-Ohio of $44,112 and $132,532 at December 31, 2003 and 2002, respectively.
- As OMEGA JV5's agent, AMP-Ohio purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2003 and 2002 amounted to $4,897,469 and $4,540,125, respectively.
- As OMEGA JV5's agent, AMP-Ohio 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 $912,778 and $781,863 for the years ended December 31, 2003 and 2002, respectively.
- OMEGA JV5 sold capacity from back-up generating units to AMP-Ohio's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately $887,956 and $677,661 for the years ended December 31, 2003 and 2002, respectively.
- In 1993, OMEGA JV5 prepaid $3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts of its generating capacity as a backup resource to OMEGA JV5. The commitment is for dedicated capacity from June 1, 1996 through May 31, 2009. This asset is being amortized ratably over the term of the commitment.
- Participants with units sited in their communities provide utilities to the backup generating units. OMEGA JV5 incurred expenses of $96,956 and $103,239 for these services for the years ended December 31, 2003 and 2002, respectively.

5. Cash and Cash Equivalents and Restricted Assets

At December 31, 2003 and 2002, the carrying amount of OMEGA JV5's operating cash deposits was $5,864,534 and $2,220, respectively, and the bank balance was $5,864,534 and $3,031, respectively. The difference between operating cash deposits and the bank balance, if any, is due to deposits in transit and outstanding checks. At December 31, 2003 and 2002, $18,517,723 and $24,242,116, respectively, was invested in certain money market funds, including funds held as restricted assets. Periodically, cash on deposit is invested overnight in these funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV5. Amounts in the operating cash deposits and investments with the bank in excess of $100,000 are not covered by federal depository insurance.

OMEGA JV5 categorizes its cash and cash equivalents and restricted assets into three categories based on risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by OMEGA JV5 or its agent in OMEGA JV5's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in OMEGA JV5's name.
- Category 3 is uncollateralized. This includes any bank balance that is collaterized with securities held by the pledging financial institution, or by its trust department or agent, but not in OMEGA JV5's name.

Cash and cash equivalents and restricted assets are categorized by risk as follows:

Risk Category	**2003**	**2002**
1	$ 100,000	$ 2,220
3	24,282,257	24,242,116
	$ 24,382,257	$ 24,244,336

6. Restricted Assets

Restricted assets include those assets comprising the Debt Service, Certificate Payment and Reserve and Contingency Funds, which are established and maintained pursuant to the Trust Agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. Assets in the Debt Service Reserve Fund are for use to make up any deficiency in the amount of principal and interest currently due and, to the extent available, to make any portion of the final debt service payment amount due on February 15, 2030. 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 aggregate amount of cash and investments in each of these funds at December 31, 2003 and 2002 are as follows:

	2003	**2002**
Debt Service Reserve Fund	$ 10,953,803	$ 10,956,812
Certificate Payment Fund	6,500,620	6,767,471
Reserve and Contingency Fund	1,063,300	1,053,617
Investments at market	18,517,723	18,777,900
Accrued interest receivable	-	14,128
	$ 18,517,723	$ 18,792,028

At December 31, 2003 and 2002, investments were held as follows:

	2003		2002	
	Cost	Market Value	Cost	Market Value
Money market funds and cash equivalents	$ 2,000	$ 2,000	$ 18,777,900	$ 18,777,900
United States Treasury obligations	18,502,783	18,515,723	-	-
Total	$ 18,504,783	$ 18,517,723	$ 18,777,900	$ 18,777,900

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, 2003 and 2002 all investments were purchased in the name of the restricted funds' trustee and are held by the trustee.

7. Prepaid Bond Insurance

In connection with the issuance of the Certificates in 1993, OMEGA JV5 paid $2,274,376 on behalf of the Participants for municipal bond insurance. In consideration of 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 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 Certificates.

In connection with the issuance of the Certificates in 2001, OMEGA JV5 paid $407,000 on behalf of the Participants for municipal bond insurance. In consideration of 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 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 Certificates.

8. Certificates of Beneficial Interest Issuance Costs

In connection with the issuance of the Certificates in 1993 and the Certificates in 2001, OMEGA JV5 paid $1,854,451 and $692,981, respectively, on behalf of the Participants for underwriter's discount and other costs of issuance. These costs are being amortized over the maturities of the Certificates.

9. Certificates of Beneficial Interest

The Series 1993 Certificates of Beneficial Interest (the "Series 1993 Certificates") outstanding at December 31, 2003 are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
2004	$ 3,620,000	5.10 %
2005	3,800,000	5.25 %
2006	4,000,000	5.38 %
2007	4,215,000	5.40 %
2008	4,445,000	5.50 %
2013	26,100,000	5.38 %
2016	19,320,000	5.63 %
2024	69,475,000	5.38 %
	$ 134,975,000	
Less: Current portion	(3,620,000)	
Less: Unamortized discount	(2,613,968)	
	$ 128,741,032	

The Series 1993 Certificates stated to mature on February 15, 2013, February 15, 2016 and February 15, 2024 are subject to mandatory sinking fund redemption. Interest on the Series 1993 Certificates is payable semiannually on February 15 and August 15 of each year, commencing February 15, 1994, to and including the date of maturity or prior redemption.

The Series 1993 Certificates are not subject to optional redemption before February 15, 2003. Series 1993 Certificates maturing after February 15, 2003 are subject to redemption in whole or in part on any date on or after February 15, 2003 at a redemption price plus accrued interest to the redemption date as set forth below:

Redemption Period	Redemption Price
February 15, 2003 through February 14, 2004	102 %
February 15, 2004 through February 14, 2005	101 %
February 15, 2005 and thereafter	100 %

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 Series 1993 Certificates due in the years 2005 through 2024. The 2004 Certificates were sold at a premium of $7,674,145.

OMEGA JV5 paid a redemption premium of $1,313,550 to redeem the 1993 Certificates, and approximately $2,800,000 in underwriters' discount, cost of issuance, and bond insurance. The difference between the reacquisition price of $132,668,550 and the net carrying amount of the old debt, including unamortized discount and issuance costs, of $126,112,000, will be deferred and amortized as a component of interest expense over the life of the 2004 Certificates.

The 2004 Certificates issued are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
2005	$ 4,065,000	2.00 %
2006	4,125,000	4.00 %
2007	4,285,000	2.00 %
2008	4,375,000	2.25 %
2009	4,475,000	2.50 %
2010	4,570,000	3.00 %
2011	4,705,000	3.25 %
2012	4,860,000	5.00 %
2013	5,105,000	5.00 %
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 %
	$ 116,910,000	

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 2001 Certificates of Beneficial Interest (the "2001 Certificates") outstanding at December 31, 2003 are as follows:

Maturity Date February 15,	Principal 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 %
	56,125,000	
Less: Unamortized discount	(40,255,692)	
	$ 15,869,308	

The principal amount at maturity 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, 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 1993 Series 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 utility 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.

Long-term liability activity for the years ended December 31, 2003 and 2002 is as follows:

	2003			
	Beginning Balance	Additions	Reductions	Ending Balance
Series 1993 Certificates	$ 138,420,000	$ -	$ (3,445,000)	$ 134,975,000
Less: Current maturities	(3,445,000)	(3,620,000)	3,445,000	(3,620,000)
Less: Unamortized discount	(2,748,570)		134,602	(2,613,968)
	132,226,430	(3,620,000)	134,602	128,741,032
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(41,098,142)	-	842,450	(40,255,692)
	15,026,858	-	842,450	15,869,308
Deferred revenue	37,332,654	-	(2,420,360)	34,912,294
Total	$ 184,585,942	$ (3,620,000)	$ (1,443,308)	$ 179,522,634

	2002			
	Beginning Balance	Additions	Reductions	Ending Balance
Series 1993 Certificates	$ 141,700,000	$ -	$ (3,280,000)	$ 138,420,000
Less: Current maturities	(3,280,000)	(3,445,000)	3,280,000	(3,445,000)
Less: Unamortized discount	(2,883,172)		134,602	(2,748,570)
	135,536,828	(3,445,000)	134,602	132,226,430
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(41,895,934)	-	797,792	(41,098,142)
	14,229,066	-	797,792	15,026,858
Deferred revenue	40,001,610	-	(2,668,956)	37,332,654
Total	$ 189,767,504	$ (3,445,000)	$ (1,736,562)	$ 184,585,942

Debt service requirements for the next five years and cumulative requirements thereafter for the 1993 Series Certificates and the 2001 Certificates at December 31, 2003 are as follows:

	Principal	Interest	Total
2004	$ 3,620,000	$ 7,202,802	$ 10,822,802
2005	3,800,000	7,010,741	10,810,741
2006	4,000,000	6,803,492	10,803,492
2007	4,215,000	6,582,187	10,797,187
2008	4,445,000	6,254,465	10,699,465
2009-2030	171,020,000	56,683,238	227,703,238
	$ 191,100,000	$ 90,536,925	$ 281,636,925

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

	December 31, 2003		December 31, 2002	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities				
The Series 1993 Certificates	$ 132,361,032	$ 136,873,620	$ 135,671,430	$ 141,755,053
The 2001 Certificates	15,869,308	17,197,537	15,026,858	15,702,080

The terms of the Trust Agreement related to the Certificates of Beneficial Interest 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").

At December 31, 2002, financial statements (audited or unaudited) of eight Participants, indicated that such Participants were not in compliance with the debt service coverage ratio requirement of the Joint Venture Agreement. Participants whose financial statements indicated noncompliance represented to OMEGA JV5 that they have taken actions expected to assure prospective compliance with the debt service coverage requirement. Based on those representations, OMEGA JV5 took action in accordance with the Joint Venture Agreement to waive the 2002 noncompliance. At December 31, 2003, financial statements (audited or unaudited) of the Participants, indicated no noncompliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

10. Risk Management

OMEGA JV5 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio 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. To the extent that liabilities are incurred and the amount of the loss can be reasonably estimated, an accrual is recorded for any amount not covered by insurance and any deductibles related to the insurance policy.

11. 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.

12. Environmental Matters (Unaudited)

Hydroelectric Plant and Transmission Line

This facility operates under the Federal Regulatory Commission Agency ("FERC"), U.S. Army Corps of Engineers and Public Utility Commission of Ohio licenses. OMEGA JV5 has filed an application to rescind the existing requirement to conduct a fish entrainment and mortality study, which is currently required by Article 404 of the FERC License. Several resource agencies have opposed the request, and the matter is pending before the FERC.

In an August 2002 rulemaking, Environmental Protection Agency ("EPA") clarified the Spill Prevention, Control and Countermeasures ("SPCC") requirements for electric utilities. To maintain compliance with the changes, an SPCC plan has been prepared for the facility and is expected to be certified by a professional engineer in the near future. OMEGA JV5 believes the facility meets all regulatory requirements for secondary containment.

Backup Generation Plants

To provide backup power for the hydroelectric plant, OMEGA JV5 installed four 1.8 MW diesel generators in Bowling Green, two 1.8 MW diesel generators in Jackson, and three 1.8 MW diesel generators in Napoleon, Niles and Wadsworth. OMEGA JV5 purchases additional backup power from the City of Oberlin.

The existing SPCC plans for the OMEGA JV5 backup diesel operation plants will be amended to comply with the EPA rule revision that went into effect August 2002. These facilities will require secondary containment for the diesel generators, fuel piping, and tanker truck unloading operations. OMEGA JV5 is studying the containment options and preparing a plan to upgrade the highest risk facilities first. It is uncertain what the ultimate cost impact on OMEGA JV5 will be.

Most metropolitan and industrialized counties in Ohio are expected to become non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This will 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), Trumball (Niles), and Wood (Bowling Green) Counties are expected to become non-attainment areas for ozone and possibly non-attainment areas for fine particulate matter. It is uncertain at this time what the impact on OMEGA JV5 will be.

The OMEGA JV5 units are potentially affected by Maximum Achievable Control Technology ("MACT") standards. OMEGA JV5 has calculated the potential to emit hazardous air pollutants and determined that MACT standards for Reciprocating Interval Combustion Engines ("RICE") do not apply to any of the backup operation plants.

As part of the backup power agreement with the City of Oberlin, OMEGA JV5 purchases the fuel. Oberlin maintains fuel storage facilities that are fully permitted. The City of Oberlin will also be required to comply with the revised SPCC rule. OMEGA JV5 will not be responsible for any implementation costs arising out of this requirement.

The Oberlin Generating Station maintains permits for each of its engines. Oberlin noted in its most recent Title V permit compliance certification a minor violation regarding the commencement of construction for units No. 2 and No. 3 prior to receiving a final permit to install. OMEGA JV5 does not expect significant sanctions to occur as a result of this violation.

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") at and for the year ended December 31, 2003, and have issued our report thereon dated April 13, 2004. 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.

Compliance
As part of obtaining reasonable assurance about whether OMEGA JV5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting
In planning and performing our audits, we considered OMEGA JV5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Participants, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 13, 2004

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Municipal Energy Services Agency

Financial Statements
December 31, 2003 and 2002

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors

Board of Participants
Municipal Energy Services Agency

In our opinion, the accompanying balance sheets and the statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Municipal Energy Services Agency ("MESA") at December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MESA's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, MESA adopted the Governmental Accounting Standards Board's ("GASB") new financial reporting model as of January 1, 2003.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. MESA has not presented the management's discussion and analysis for the year ended December 31, 2002 that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements for each year presented.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 13, 2004 on our consideration of MESA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2002. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

April 13, 2004

Financial Statement Overview
This discussion and analysis provides an overview of the financial performance of Municipal Energy Services Agency ("MESA") for the year ended December 31, 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

MESA prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MESA's basic financial statements include the balance sheet, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows.

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

Financial Highlights
The following table summarizes the financial position of MESA as of December 31, 2003 and 2002.

Condensed Balance Sheets

	2003	2002	Dollar Change	Percentage Change
Assets				
Current assets	$ 1,401,235	$ 1,020,734	$ 380,501	37.3%
Property, net of accumulated depreciation	66,866	14,393	52,473	364.6%
Total assets	$ 1,468,101	$ 1,035,127	$ 432,974	41.8%
Liabilities and Net Assets				
Current liabilities	$ 1,468,101	$ 1,035,127	$ 432,974	41.8%
Net assets	-	-	-	
Total liabilities and net assets	$ 1,468,101	$ 1,035,127	$ 432,974	41.8%

Total assets increased $432,974 or 41.8% in 2003 due primarily to an increase in cash ($71,275), accounts receivable ($308,396), prepaid expenses ($830) and the purchase of vehicles ($52,473, net of accumulated depreciation).

Current liabilities increased in 2003 by $432,974 or 41.8% due to increased accrued salaries and related benefits ($211,763), increased accruals for compensated absences ($231,712), offset by a decrease in accounts payable and other accrued expenses ($10,501).

The following table summarizes the changes in revenues, expenses, and the change in net assets of MESA for the year ended December 31, 2003.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2003	2002	Dollar Change	Percentage Change
Operating revenues	$ 7,320,130	$ 6,445,951	$ 874,179	13.6%
Operating expenses	7,323,672	6,450,606	873,066	13.5%
Operating loss	(3,542)	(4,655)	1,113	23.9%
Nonoperating revenue				
Investment income	3,542	4,655	(1,113)	(23.9)%
Change in net assets	$ -	$ -	$ -	

Operating revenues increased $874,179 or 13.6% due primarily to higher salaries and benefits charged to related parties.

Operating expenses increased $873,066 due primarily to increased staffing levels and increased salaries and related benefits. Medical insurance premiums increased 12% and dental insurance premiums increased 5% in 2003.

Municipal Energy Services Agency
Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 527,960	$ 456,685
Accounts receivable, participants	21,952	172,772
Receivable from related parties	844,480	385,264
Prepaid expenses	6,843	6,013
Total current assets	1,401,235	1,020,734
Property		
Vehicles	87,450	22,528
Accumulated depreciation	(20,584)	(8,135)
Total property	66,866	14,393
Total assets	$ 1,468,101	$ 1,035,127
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 66,866	$ 14,393
Unrestricted	(66,866)	(14,393)
Total net assets	-	-
Current liabilities		
Accrued salaries and related benefits	492,867	281,104
Compensated absences	957,811	726,099
Accounts payable and accrued expenses	17,423	27,924
Total current liabilities	1,468,101	1,035,127
Total net assets and liabilities	$ 1,468,101	$ 1,035,127

The accompanying notes are an integral part of these financial statements.

Municipal Energy Services Agency
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues		
Services	$ 7,320,130	$ 6,427,441
Other income	-	18,510
Total operating revenues	7,320,130	6,445,951
Operating Expenses		
Salaries and related benefits	5,516,787	4,713,165
Compensated absences	1,634,019	1,352,679
Depreciation	12,449	8,135
Professional fees	35,539	28,628
Project expenses	-	158,665
Insurance	73,774	60,371
Utilities	31,004	35,248
Other operating expenses	20,100	93,715
Total operating expenses	7,323,672	6,450,606
Operating loss	(3,542)	(4,655)
Nonoperating Revenues		
Investment income	3,542	4,655
Change in net assets	-	-
Net assets, beginning of year	-	-
Net assets, end of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Municipal Energy Services Agency
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Cash received from participants for services	$ 551,678	$ 343,927
Cash received from related parties for services	6,460,056	6,190,509
Cash payments to employees for services	(6,707,331)	(5,996,818)
Cash payments to suppliers and related parties for goods and services	(171,748)	(441,975)
Net cash provided by operating activities	132,655	95,643
Cash flows from capital and related financing activities		
Cash flow related to capital expenditures	(64,922)	-
Net cash used in capital and related financing activities	(64,922)	-
Cash flows from investing activities		
Investment income received	3,542	4,655
Net cash provided by investing activities	3,542	4,655
Net change in cash and cash equivalents	71,275	100,298
Cash and cash equivalents, beginning of year	456,685	356,387
Cash and cash equivalents, end of year	$ 527,960	$ 456,685
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (3,542)	$ (4,655)
Depreciation	12,449	8,135
Changes in assets and liabilities		
Accounts receivable	150,820	(44,145)
Receivable from related parties	(459,216)	132,630
Prepaid expenses	(830)	3,048
Accrued salaries and related benefits	211,763	72,077
Compensated absences	231,712	(3,051)
Accounts payable and accrued expenses	(10,501)	(68,396)
Net cash provided by operating activities	$ 132,655	$ 95,643

The accompanying notes are an integral part of these financial statements.

1. Organization

Municipal Energy Services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. The participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). MESA also provides personnel and administrative services to AMP-Ohio, the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5 and 6 ("OMEGA JVs"), the Ohio Municipal Electric Association ("OMEA") and the Ohio Public Power Educational Institute ("OPPEI").

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by MESA.

Basis of Accounting
The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MESA applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

MESA has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* in these financial statements effective January 1, 2003. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the current year's presentation. The restatement had no effect on the amount of net assets reported by MESA. Management's Discussion and Analysis ("MD&A") introduces the basic financial statements and provides an analytical overview of MESA's financial activities. The impact of this accounting change primarily relates to the format of the financial statements, the presentation of net assets, and the preparation of the statement of cash flows on the direct method.

Cash and Cash Equivalents
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.

Property
Property is recorded at cost. Depreciation is provided on the straight-line method over three years, the estimated useful life of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. The cost and related accumulated depreciation of assets retired or otherwise disposed of are removed from the related accounts, and the resulting gains or losses are recognized in the statements of operations.

Property is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Operating Revenue and Expenses
Revenues are recognized as services are performed. Service revenue is charged to AMP-Ohio, the OMEGA JVs, OMEA and OPPEI at a rate to recover the cost of salaries incurred related to work performed for each entity plus an overhead rate ranging from 35 percent to 120 percent. To the extent that the overhead amount charged to the entities is different from actual overhead charges incurred, MESA adjusts the amount charged to AMP-Ohio. AMP-Ohio absorbs any undercharges and uses any excess charges to offset other administrative expenses incurred, which benefit all members of AMP-Ohio.

Use of Estimates
The 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards
In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without subordinated financial support from other parties. This standard explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. FIN 46R is effective immediately for variable interest entities created after December 31, 2003 and is effective with the first annual period beginning after December 15, 2004 for entities created on or before December 31, 2003. MESA is currently evaluating the potential impact of the standard on its financial statements.

3. Property

Property activity for the years ended December 2003 and 2002 is as follows:

	2003		
	Beginning Balance	**Additions**	**Ending Balance**
Vehicles	$ 22,528	$ 64,922	$ 87,450
Less: Accumulated depreciation	(8,135)	(12,449)	(20,584)
Vehicles, net	$ 14,393	$ 52,473	$ 66,866

	2002		
	Beginning Balance	**Additions**	**Ending Balance**
Vehicles	$ 22,528	$ -	$ 22,528
Less: Accumulated depreciation	-	(8,135)	(8,135)
Vehicles, net	$ 22,528	$ (8,135)	$ 14,393

4. Related Party Transactions

Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. As MESA's agent, AMP-Ohio enters into agreements with related entities to have MESA provide services. Revenues earned from these agreements in 2003 and 2002 are as follows:

	2003	**2002**
AMP-Ohio	$ 4,836,255	$ 4,174,973
Ohio Municipal Electric Generation Agency Joint Venture 1	53,479	42,807
Ohio Municipal Electric Generation Agency Joint Venture 2	477,545	574,261
Ohio Municipal Electric Generation Agency Joint Venture 4	61,666	42,927
Ohio Municipal Electric Generation Agency Joint Venture 5	911,568	781,864
Ohio Municipal Electric Generation Agency Joint Venture 6	143,407	-
Participants	400,858	369,562
Ohio Municipal Electric Association	257,111	263,324
Ohio Public Power Educational Institute	178,241	177,723
Total	$ 7,320,130	$ 6,427,441

At December 31, 2003 and 2002, MESA had receivables from affiliates of $844,480 and $385,264, respectively. At December 31, 2003 and 2002, MESA had a receivable from members of AMP-Ohio of $21,952 and $172,772, respectively.

5. Cash and Cash Equivalents

At December 31, 2003 and 2002, the carrying amount of MESA's operating cash deposits was $2,327 and $4,946, respectively, and the bank balance was $2,327 and $6,496, respectively. The difference between operating cash deposits and the bank balance, if any, is primarily due to outstanding checks. At December 31, 2003 and 2002, $525,633 and $451,739, respectively, was invested in certain money market funds. Periodically, cash on deposit is invested overnight in these funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of MESA. Amounts in the operating cash deposits and investments with the bank in excess of $100,000 are not covered by federal depository insurance.

MESA categorizes its cash and cash equivalents into three categories based on risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by MESA or its agent in MESA's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in MESA's name.
- Category 3 is uncollateralized. This includes any bank balance that is collaterized with securities held by the pledging financial institution, or by its trust department or agent, but not in MESA's name.

Cash and cash equivalents are categorized by risk as follows:

Risk Category	2003	2002
1	$ 2,327	$ 4,946
3	525,633	451,739
	$ 527,960	$ 456,685

6. Risk Management

MESA is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio 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. In addition, MESA maintains an errors and omissions policy related to engineering services it performs. To the extent that liabilities are incurred and the amount of the loss can be reasonably estimated, an accrual is recorded for any amount not covered by insurance and any deductibles related to the insurance policy.

7. Pension Plans

Public Employees Retirement System of Ohio
All full-time permanent employees of MESA participate in the Public Employees Retirement System of Ohio ("PERS"), a statewide cost-sharing multiple-employer defined benefit public pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate effective for 2003, 2002 and 2001 was 8.5%. The 2003, 2002 and 2001 employer contribution rate was 13.5% of covered payroll.

The employee contributions to PERS totaled $428,194, $386,094 and $341,769 for the years ended December 31, 2003, 2002 and 2001, respectively. Employer contributions were $682,583, $615,480 and $544,814 for the years ended December 31, 2003, 2002 and 2001, respectively.

Postemployment Benefits
PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disabled recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit ("OPEB") as described in Governmental Accounting Standards Board Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund health care through their contributions to PERS. The 2003 employer contribution rate was 13.55% of covered payroll; 5.00% of the employer contribution was used to fund health care for the year. MESA's 2003 employer contributions to PERS totaled $682,583. Of this amount, $34,129 was used to fund health care contributions.

OPEB liabilities are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

At December 31, 2002, the unaudited estimated net assets available for future OPEB payments were $10,000,000,000. The number of active contributing participants at December 31, 2003 was 364,881. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18,700,000,000 and $8,700,000,000, respectively.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
100 East Broad Street, Suite 2100
Columbus OH 43215
Telephone (614) 225 8700
Facsimile (614) 224 1044

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Participants
Municipal Energy Services Agency

We have audited the financial statements of Municipal Energy Services Agency ("MESA") at and for the year ended December 31, 2003, and have issued our report thereon dated April 13, 2004. 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.

Compliance
As part of obtaining reasonable assurance about whether MESA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered MESA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Participants, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

April 13, 2004

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OMEGA JOINT VENTURE 1,2,4,5 AND MUNICIPAL ENERGY SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 22, 2004