Municipal Energy Services Agency

Financial Statements
December 31, 2006 and 2005

Mary Taylor, CPA
Auditor of State

Board of Participants
Ohio Municipal Electric Generation Agency Joint
Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency
2600 Airport Drive
Columbus, Ohio 43219

We have reviewed the *Report of Independent Auditors* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2006 through December 31, 2006. 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 Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 17, 2007

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Report of Independent Auditors

Board of Participants
Municipal Energy Services Agency

In our opinion, the accompanying balance sheets and the related 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, 2006 and 2005, 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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 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, 2006. 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

Columbus, Ohio
April 18, 2007

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Municipal Energy Services Agency ("MESA") for the years ended December 31, 2006 and 2005. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

MESA prepares its 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 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:

Condensed Balance Sheets

	2006	2005	2004
Assets			
Current assets	$ 2,800,531	$ 3,996,195	$ 2,137,694
Property, net of accumulated depreciation	71,271	66,914	72,553
Total assets	$ 2,871,802	$ 4,063,109	$ 2,210,247
Liabilities and Net Assets			
Current liabilities	$ 2,871,802	$ 4,063,109	$ 2,210,247
Net assets	-	-	-
Total liabilities and net assets	$ 2,871,802	$ 4,063,109	$ 2,210,247

Total assets of $2,871,802 decreased $1,191,307 or 29.3% in 2006. This compares to an increase of total assets of $1,852,862 or 83.8% in 2005 compared to 2004.

Current assets as of December 31, 2006 were $2,800,531. This was a decrease in 2006 of $1,195,664 or 29.9% compared to 2005. In 2006, cash increased $311,881. Accounts receivable decreased $1,106,901, due primarily to a decrease of $1,196,076 related to projects that were completed for members. Projects in progress on behalf of members not yet invoiced decreased $334,887. Prepaid insurance decreased $65,757 primarily as a result of timing of payments. The January 2006 health insurance premiums were paid in December 2005. In 2005, cash decreased $33,976. Accounts receivable increased $1,052,867, due primarily to an increase of $1,098,425 related to projects that were completed for members. Projects in progress on behalf of members not yet invoiced increased $904,150. Prepaid insurance decreased $64,540 primarily as a result of timing of payments. The 2005 insurance premium was paid in December 2004.

Property, net of accumulated depreciation, at December 31, 2006 was $71,271. This was an increase of $4,357 or 6.5% in 2006 compared to 2005. MESA's property consists entirely of vehicles, the cost of which at the end of 2006 was $247,765. This was an increase of $65,721 in 2006 compared to 2005.

Accumulated depreciation in 2006 increased $61,364 compared to 2005. Property, net of accumulated depreciation decreased $5,639 or 7.8% in 2005 compared to 2004 due to the purchase of vehicles net of accumulated depreciation. All vehicles are depreciated over a three year life.

Current liabilities as of December 31, 2006 were $2,871,802. This was a decrease of $1,191,307 or 29.3% in 2006 compared to 2005. The decrease in 2006 was due primarily to a decrease in accounts payable of $1,737,853 relating to purchasing materials for projects constructed on behalf of members. This was offset by an increase in accrued salaries and benefits of $141,274, an increase in compensated absences of $168,704, and an increase in payables to related parties of $236,568. Current liabilities increased by $1,852,862 or 83.8% in 2005. The increase in 2005 was due primarily to an increase in accounts payable of $1,912,037 relating to purchasing materials for projects constructed on behalf of members. In addition, there was at year-end $346,000 payable to related parties. In 2005, advance payments for projects constructed on behalf of members decreased by $578,384.

The following table summarizes the changes in revenues, expenses and changes in net assets of MESA for the years ended December 31:

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

	2006	2005	2004
Operating revenues	$ 12,667,892	$ 19,799,064	$ 8,231,712
Operating expenses	12,696,055	19,829,309	8,243,692
Operating loss	(28,163)	(30,245)	(11,980)
Nonoperating revenue			
Investment income	28,163	30,245	11,980
Change in net assets	$ -	$ -	$ -

Operating revenues in 2006 were $12,667,892, which was a decrease of $7,131,172 or 36.0%. MESA has primarily two sources of revenues, projects for members and providing personnel services to related parties. The $7,131,172 decrease in revenues for 2006 was due primarily to a decrease in revenue from projects being engineered, managed or constructed on-behalf of members totaling $8,007,279. Personnel services to related parties increased $876,107 in 2006. Operating revenues increased $11,567,352 or 140.5% in 2005 compared to 2004. The $11,567,352 increase in revenues for 2005 was due primarily to projects being engineered, managed or constructed on-behalf of members totaling $10,877,868. Personnel services to related parties increased $689,484 in 2005.

Operating expenses in 2006 were $12,696,055, which was a decrease of $7,133,254 or 36.0%. The decrease of $7,133,254 in 2006 was primarily related to a decrease in expenses related to projects on-behalf of members which decreased $8,089,583, while MESA's payroll and related benefits increased $811,680 in 2006. Operating expenses increased $11,585,617 or 140.5% in 2005. The increase of $11,585,617 in 2005 was primarily related to projects on-behalf of members which increased $10,888,942, while MESA's payroll and related benefits increased $663,298 in 2005.

Investment income in 2006 was $28,163, which was a decrease of $2,082 or 6.9% for 2006. Investment income for MESA is limited to interest earned on checking account for the Operating Funds held at the bank. Investment income in 2005 was $30,245, which was an increase of $18,265 or 152.5%. The increase in 2005 was a result of higher average cash balances invested at higher interest rates.

Municipal Energy Services Agency
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Current assets		
Cash and cash equivalents	$ 1,268,936	$ 957,055
Receivables from AMP-Ohio members	58,152	1,254,228
Receivables from related parties	711,586	622,411
Costs and recoveries in excess of billings from projects constructed on behalf of members	753,857	1,088,744
Prepaid expenses	8,000	73,757
Total current assets	2,800,531	3,996,195
Property		
Vehicles	247,765	182,044
Accumulated depreciation	(176,494)	(115,130)
Total property	71,271	66,914
Total assets	$ 2,871,802	$ 4,063,109
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 71,271	$ 66,914
Unrestricted	(71,271)	(66,914)
Total net assets	-	-
Current liabilities		
Accrued salaries and related benefits	586,411	445,137
Compensated absences	1,435,145	1,266,441
Accounts payable and accrued expenses	267,678	2,005,531
Payable to related party	582,568	346,000
Total current liabilities	2,871,802	4,063,109
Total net assets and liabilities	$ 2,871,802	$ 4,063,109

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, 2006 and 2005

	2006	2005
Operating Revenues		
Services	$ 8,975,111	$ 8,099,004
Project revenue	3,692,781	11,700,060
Total operating revenues	12,667,892	19,799,064
Operating Expenses		
Salaries and related benefits	8,598,316	7,786,636
Depreciation	61,364	46,568
Professional fees	110,202	59,981
Direct project expenses	3,708,629	11,798,212
Insurance	90,032	87,024
Utilities	32,885	26,501
Other operating expenses	94,627	24,387
Total operating expenses	12,696,055	19,829,309
Operating loss	(28,163)	(30,245)
Nonoperating Revenues		
Investment income and other	28,163	30,245
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, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from AMP-Ohio members for services	$ 5,223,744	$ 9,119,101
Cash received from related parties for services	8,949,504	8,144,562
Cash payments to employees for services	(8,466,919)	(7,882,561)
Cash payments to suppliers and related parties for goods and services	(5,529,890)	(9,748,045)
Net cash provided by (used in) operating activities	176,439	(366,943)
Cash flows from noncapital financing activities		
Proceeds from payable to related party	173,000	346,000
Net cash provided by noncapital financing activities	173,000	346,000
Cash flows from capital and related financing activities		
Purchases of vehicles	(65,721)	(43,278)
Net cash used in capital and related financing activities	(65,721)	(43,278)
Cash flows from investing activities		
Investment income received	28,163	30,245
Net cash provided by investing activities	28,163	30,245
Net change in cash and cash equivalents	311,881	(33,976)
Cash and cash equivalents, beginning of year	957,055	991,031
Cash and cash equivalents, end of year	$ 1,268,936	$ 957,055
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (28,163)	$ (30,245)
Depreciation	61,364	48,917
Changes in assets and liabilities		
Receivables from AMP-Ohio members	1,196,076	(1,098,425)
Receivables from related parties	(89,175)	45,558
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	334,887	(904,150)
Prepaid expenses	65,757	64,540
Accrued salaries and related benefits	141,274	2,302
Compensated absences	168,704	160,313
Accounts payable and accrued expenses	(1,737,853)	1,922,631
Billing in excess of costs and estimated earnings for projects constructed on behalf of members	-	(578,384)
Accounts payable to related parties	63,568	-
Net cash provided by (used in) operating activities	$ 176,439	$ (366,943)

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. As of December 31, 2006, there were 48 Participants in MESA. 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"). The Agreement continues until December 31, 2006, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation. At December 31, 2006, no notice of termination has been received.

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.

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 service utility of the capital asset may have significantly and unexpectedly declined. 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.

Compensated Absences
MESA records a liability for compensated absences attributable to services rendered. Vacation leave for which employees can receive compensation in a future period is recorded as earned by the employees. Sick leave is recorded for those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Service 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.

Project Revenue and Expenses
MESA performs short-term and long-term construction and technical service projects for the members of AMP-Ohio. Short-term service project revenues are recognized when costs are incurred. Long-term project revenues are recognized in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 (“SOP 81-1”), *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for time and materials contracts. In accordance with SOP 81-1, revenue from time and material contracts is recognized to the extent of billable rates times hours delivered plus materials and expenses incurred. Materials and expenses are typically billed at cost. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted projects are made in the period in which such losses are identified. Changes in project performance, project conditions and estimated profitability are recognized in the period in which the revisions become known.

Costs and recoveries in excess of billings from projects constructed on behalf of members represent unbilled services and reimbursable materials and expenses associated with ongoing projects. Billings in excess of costs and recoveries for projects constructed on behalf of members represent advanced billings for services to be performed at a future date for ongoing projects. Direct project expenses include an allocation of operating expenses.

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 September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. MESA is evaluating the effect this standard may have on its financial statements.

3. Property

Property activity for the years ended December 31 is as follows:

	2006		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 182,044	$ 65,721	$ 247,765
Less: Accumulated depreciation	(115,130)	(61,364)	(176,494)
Vehicles, net	$ 66,914	$ 4,357	$ 71,271

	2005		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 138,766	$ 43,278	$ 182,044
Less: Accumulated depreciation	(66,213)	(48,917)	(115,130)
Vehicles, net	$ 72,553	$ (5,639)	$ 66,914

4. Related Party Transactions

Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides MESA 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 for the years ended December 31 are as follows:

	2006	2005
AMP-Ohio	$ 6,891,510	$ 6,079,642
Ohio Municipal Electric Generation Agency Joint Venture 1	61,133	65,172
Ohio Municipal Electric Generation Agency Joint Venture 2	513,836	485,550
Ohio Municipal Electric Generation Agency Joint Venture 4	42,210	100,137
Ohio Municipal Electric Generation Agency Joint Venture 5	925,951	787,726
Ohio Municipal Electric Generation Agency Joint Venture 6	63,142	87,646
Ohio Municipal Electric Association	303,037	323,743
Ohio Public Power Educational Institute	174,292	169,388
AMP-Ohio Members	3,692,781	11,700,060
Total	$ 12,667,892	$ 19,799,064

At December 31, 2006 and 2005, MESA had receivables from affiliates of $711,586 and $622,411, respectively. At December 31, 2006 and 2005, MESA had a receivable from members of AMP-Ohio of $58,152 and $1,254,228, respectively.

During 2006 and 2005, MESA borrowed $173,000 and $346,000 from AMP-Ohio, respectively. AMP-Ohio is charging MESA an interest rate equivalent to the rate on AMP-Ohio's line of credit which is variable based on prime or LIBOR, depending on AMP-Ohio's interest coverage ratio. The borrowing does not have a set maturity.

5. Cash and Cash Equivalents

Deposits
Custodial risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA does not have a custodial credit risk policy. MESA has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000.

Credit Risk
MESA invests in instruments allowed under the Ohio Revised Code, Chapter 135. At December 31, 2006 and 2005, MESA had investments of $1,268,817 and $957,055, respectively, in a public funds money market account. In general, money market funds are not rated.

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, 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.

7. Pension Plans

Ohio Public Employees Retirement System
All full-time permanent employees of MESA participate in the Ohio Public Employees Retirement System ("OPERS"), a statewide cost-sharing multiple-employer defined benefit public pension plan. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to OPERS. OPERS 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 ("ORC").

The ORC provides statutory authority for employee and employer contributions. The employee contribution rate effective for 2006 was 9.0%. The contribution rate effective for 2005, 2004, and 2003 was 8.5%. The 2006 employer contribution rate was 13.7%. The 2005, 2004, and 2003 employer contribution rate was 13.55% of covered payroll.

The employee contributions to OPERS totaled $578,480, $498,078, and $464,032 for the years ended December 31, 2006, 2005, and 2004, respectively. Employer contributions were $880,574, $793,987, and $739,714 for the years ended December 31, 2006, 2005, and 2004, respectively.

Postemployment Benefits

OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit ("OPEB") as described in GASB Statement No.12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The ORC provides statutory authority requiring public employers to fund health care through their contributions to OPERS. The 2006 employer contribution rate was 13.7% of covered payroll; 4.5% of the employer contribution was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. MESA's employer contributions to OPERS totaled $880,574 and $793,987 in 2006 and 2005, respectively. Of this amount, approximately $289,269 and $260,824 was used to fund postemployement benefits in 2006 and 2005, respectively.

The Health Care Preservation Plan ("HCPP") adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. OPERS took additional actions to improve the solvency of the Heath Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804.

The amount of $11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.

Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005 reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $31.3 billion and $20.2 billion, respectively.

The following assumptions are applicable:

Actuarial Review—The assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2005.

Funding Method—The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method—All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return—The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll—An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care—Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 6.00% for the next nine years. In subsequent years, (ten and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to: OPERS, 277 East Town Street, Columbus, OH 43215-4642.

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

Board of Participants
Municipal Energy Services Agency

We have audited the financial statements of Municipal Energy Services Agency ("MESA") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MESA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MESA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MESA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters
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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MESA in a separate letter dated April 18, 2007.

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

Columbus, Ohio
April 18, 2007

Ohio Municipal Electric Generation Agency Joint Venture 1

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1

In our opinion, the accompanying balance sheets and the related 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, 2006 and 2005, 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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 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, 2006. 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

Columbus, Ohio
April 18, 2007

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 years ended December 31, 2006 and 2005. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV1 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA 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 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:

Condensed Balance Sheets

	2006	2005	2004
Assets			
Electric plant, net of accumulated depreciation	$ 266,668	$ 267,447	$ 283,419
Regulatory assets	48,917	59,461	246,814
Current assets	354,483	214,881	230,938
Total assets	$ 670,068	$ 541,789	$ 761,171
Net Assets and Liabilities			
Net assets	$ 586,819	$ 455,421	$ 463,386
Current liabilities	16,603	22,793	37,139
Noncurrent liabilities	66,646	63,575	260,646
Total net assets and liabilities	$ 670,068	$ 541,789	$ 761,171

Total assets of $670,068 increased $128,279 or 23.7% in 2006, this compares to a decrease of total assets of $219,832 or 28.8% in 2005, over 2004. The increase in 2006 is due primarily to an increase in cash and cash equivalents, which is discussed in more detail below.

Electric plant, net of accumulated depreciation, decreased $779 from 2005, while the cost of electric plant assets increased $15,517 or 3% from the prior year. The increase of $15,517 was the result of capital expenditures for a site grounding grid improvement for lightning or surge protection. The cost associated with the asset retirement obligation ("ARO") included in the cost of electric plant for 2004, 2005 and 2006 remained the same at $33,949. The decrease of $15,972 for 2005 and 2004 was reflective of recognizing depreciation expense of $14,841 for electric plant assets and $1,131 for recognition of depreciation expense on the AROs, in each of these years.

Regulatory assets at December 31, 2006 were $48,917. This was a decrease of $10,544 for 2006 while 2005 had a decrease of $187,353 from 2004. These changes were directly related to a lightning strike that occurred in 2003 to three diesel units in that revenues were collected from JV1 members beginning in September 2004 through 2006 to repair the units. This collection includes approximately $55,000 for new capital equipment, some of which was purchased in 2006. In 2005 and 2004, maintenance expense was $23,623 and $190,598 respectively. This was primarily related to the repair of these three units. Regulatory assets contain amounts deferred for ARO costs. These deferred amounts are recorded in the statements of revenues, expenses and changes in net assets as the corresponding expense is realized.

Current assets as of December 31, 2006 were $354,483. This was an increase in 2006 of $139,602 or 65.0%. In 2006, cash increased $178,285, primarily related to increased billings to recover costs related to damages from the lightning strike, while accounts receivable decreased $46,867. Fuel inventory increased $9,224 in 2006 as a result of higher inventory levels and higher diesel fuel costs. In 2005, cash decreased $47,620, primarily due to the repayment of a loan to AMP-Ohio while receivables increased $37,077, primarily related to increased billings to recover costs related to damages from the lightning strike. Fuel inventory increased $5,555 in 2005 as a result of higher inventory levels and higher diesel fuel costs. Prepaid expenses decreased $11,069 in 2005, primarily as a result of the timing of payments. The 2005 insurance premium was paid in 2004.

Total net assets and liabilities increased $128,279 or 23.7 % in 2006 compared to 2005. Total net assets and liabilities decreased $219,382 in 2005. These changes in total net assets and liabilities are explained in the categories below.

Net assets increased $131,398 or 28.9% in 2006 compared to 2005. This increase in 2006 is primarily due to the total operating gain. Net assets decreased $7,965 or 1.7% in 2005 compared to 2004. This increase is the result of the total operating loss.

Current liabilities as of December 31, 2006 were $16,603. This was a decrease of $6,190, or 27.2% in 2006. The decrease in 2006 was primarily related to a decrease in accounts payable. Current liabilities of $22,793 decreased $14,346 or 38.6% in 2005. The decrease in 2005 was primarily related to a decrease in accounts payable.

Noncurrent liabilities as of December 31, 2006 were $66,646. This was an increase of $3,071, or 4.8% in 2006. This increase is due primarily to accretion expense related to asset retirement obligations. Noncurrent liabilities of $63,575 decreased $197,071 or 75.6% in 2005. The decrease was primarily the result of repayment of a $200,000 loan from AMP-Ohio to repair the units damaged in the lightning strike.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues	$ 299,753	$ 363,708	$ 245,225
Operating expenses	178,584	376,753	237,064
Operating (loss) income	121,169	(13,045)	8,161
Nonoperating revenue			
Investment income	10,229	5,080	3,094
Change in net assets	$ 131,398	$ (7,965)	$ 11,255

Electric revenues in 2006 were $299,753. This was a decrease of $63,955 or 17.6% for 2006. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any. Generation decreased to 135 megawatt hours in 2006 versus 306 megawatt hours produced in 2005. All units were fully operational in 2006 for the entire year. Revenue increased in 2005 as a result of increased billings to collect funds to repair the three units damaged in the lightning strike. Operating revenues increased $118,483 or 48.3% in 2005. Energy production significantly increased in 2005 with a total of 306 megawatt hours produced in 2005 versus 122 megawatt hours produced in 2004. The increased production was due to the units not operating during 2004 due to damage from the lightning strike. The three units were down from August 2003 through September 2004 and were fully operational in October 2004.

Operating expenses in 2006 were $178,584. This is a decrease of $198,169 or 52.6% compared to 2005. The decrease in operating expenses in 2006 is primarily due to a decrease in future recoverable costs of $176,809, and a decrease in diesel fuel expense of $12,941. The increases in operating expenses in 2005 were a result of an increase in future recoverable costs related to the storm damage of $256,058, an increase in diesel fuel expense of $24,350 due to increased prices and increased generation, offset by a decrease in repairs and maintenance expenses of $166,975.

Investment income in 2006 was $10,229, which was an increase of $5,149 or 101.4% for 2006. Investment income for OMEGA JV1 is interest earned on checking account for the Operating Funds held at a bank. Increases in 2006 were the result of higher average cash balances at higher interest rates. Investment income increased $1,986 or 64.2% in 2005 due to an increased operating cash balance and a steadily increasing interest rate during 2005.

Ohio Municipal Electric Generation Agency Joint Venture 1
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Electric plant		
Electric generators	$ 459,695	$ 444,178
Fuel tank	35,000	35,000
Accumulated depreciation	(228,027)	(211,731)
Total electric plant	266,668	267,447
Regulatory assets	48,917	59,461
Current assets		
Cash and cash equivalents	294,313	116,028
Receivables from participants	7,880	3,994
Receivables from related parties	11,610	62,363
Fuel inventory	35,288	26,064
Prepaid expenses	5,392	6,432
Total current assets	354,483	214,881
Total assets	$ 670,068	$ 541,789
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 266,668	$ 267,447
Unrestricted	320,151	187,974
Total net assets	586,819	455,421
Commitments and contingencies (Note 8)		
Current liabilities		
Accounts payable and accrued expenses	10,708	13,926
Payable to related parties	5,895	8,867
Total current liabilities	16,603	22,793
Noncurrent liabilities		
Asset retirement obligation	66,646	63,575
Total noncurrent liabilities	66,646	63,575
Total liabilities	83,249	86,368
Total net assets and liabilities	$ 670,068	$ 541,789

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, 2006 and 2005

	2006	2005
Operating Revenues		
Electric revenue	$ 299,753	$ 363,708
Operating Expenses		
Related party services	61,134	65,172
Depreciation	16,296	15,972
Accretion of asset retirement obligation	3,071	2,929
Fuel	18,953	31,894
Maintenance	27,909	23,623
Utilities	7,615	11,417
Insurance	20,066	19,952
Professional services	11,102	11,358
Interest expense	-	5,236
Other operating expenses	1,894	1,847
Future recoverable costs	10,544	187,353
Total operating expenses	178,584	376,753
Operating income (loss)	121,169	(13,045)
Nonoperating Revenues		
Investment income	10,229	5,080
Change in net assets	131,398	(7,965)
Net assets, beginning of year	455,421	463,386
Net assets, end of year	$ 586,819	$ 455,421

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, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from participants	$ 295,867	$ 377,302
Cash paid to related parties for personnel services	(61,132)	(62,455)
Cash payments to suppliers and related parties for goods and services	(51,162)	(167,547)
Net cash provided by operating activities	183,573	147,300
Cash flows from capital and related financing activities		
Capital expenditures	(15,517)	-
Net cash used in capital and related financing activities	(15,517)	-
Cash flows from investing activities		
Investment income	10,229	5,080
Net cash provided by investing activities	10,229	5,080
Cash flows from noncapital financing activities		
Payments of notes payable to related party	-	(200,000)
Net cash used in noncapital financing activities	-	(200,000)
Net change in cash and cash equivalents	178,285	(47,620)
Cash and cash equivalents, beginning of year	116,028	163,648
Cash and cash equivalents, end of year	$ 294,313	$ 116,028
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	$ 121,169	$ (13,045)
Depreciation	16,296	15,972
Accretion of asset retirement obligation	3,071	2,929
Future recoverable costs	10,544	187,353
Changes in assets and liabilities		
Receivables from participants	(3,886)	13,594
Receivables from related parties	50,753	(50,671)
Fuel inventory	(9,224)	(5,555)
Prepaid expenses	1,040	11,069
Accounts payable and accrued expenses	(3,218)	(12,542)
Payable to related parties	(2,972)	(1,804)
Net cash provided by operating activities	$ 183,573	$ 147,300

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 (the "Project"), 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. The Agreement continues until 60 days subsequent to the disposition of the Project, provided, however, that each Participant shall remain obligated to pay to OMEGA JV1 its respective share of the costs of termination, discontinuing, disposing of, and decommissioning the Project.

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.

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 service utility of the capital asset may have significantly and unexpectedly declined. 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
OMEGA JV1 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets
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 rates in future periods). 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 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.

Regulatory assets consisted of the following at December 31:

	2006	2005
Regulatory assets		
Deferral of expenses related to asset retirement obligations	$ 48,917	$ 44,714
Deferral of storm damage costs	-	14,747
Total	$ 48,917	$ 59,461

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 September 2006 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. OMEGA JV1 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

3. Electric Plant

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

	2006		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 444,178	$ 15,517	$ 459,695
Fuel tank	35,000	-	35,000
Total electric plant in service	479,178	15,517	494,695
Less: Accumulated depreciation	(211,731)	(16,296)	(228,027)
Electric plant, net	$ 267,447	$ (779)	$ 266,668

	2005		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 444,178	$ -	$ 444,178
Fuel tank	35,000	-	35,000
Total electric plant in service	479,178	-	479,178
Less: Accumulated depreciation	(195,759)	(15,972)	(211,731)
Electric plant, net	$ 283,419	$ (15,972)	$ 267,447

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 $11,610 and $62,363 at December 31, 2006 and 2005, 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 $61,134 and $65,172 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV1 had a payable to MESA for $5,895 and $5,893 at December 31, 2006 and 2005, 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 $7,615 and $11,417 for the years ended December 31, 2006 and 2005, 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.
- On April 24, 2004, OMEGA JV1 borrowed $300,000 under a promissory note from AMP-Ohio that bears interest at AMP-Ohio's interest rate on its revolving credit loan up to 7% per annum. The loan was paid in full in 2005.
- OMEGA JV1 purchased fuel from OMEGA JV5. OMEGA JV1 had a payable to OMEGA JV5 for $2,974 at December 31, 2005.

5. Cash and Cash Equivalents

Deposits
Custodial risk is the risk that in the event of a bank failure, JV1's deposits may not be returned to it. JV1 does not have a custodial credit risk policy. JV1 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000.

Credit Risk
OMEGA JV1 invests in instruments allowed under the Ohio Revised Code, Chapter 135. At December 31, 2006 and 2005, JV1 had investments of $294,313 and $116,028, respectively, in a public funds money market account. In general, money market funds are not rated.

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.

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.

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

	2006		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 63,575	$ 3,071	$ 66,646

	2005		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 60,646	$ 2,929	$ 63,575

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

8. Commitments and Contingencies

Participant Credit Risk
In March 2004, OMEGA JV1 became aware that the City of Galion (“Galion”) was experiencing financial difficulties. Galion is an all requirements member participating in OMEGA JV1 to the extent of approximately 6% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code (“ORC”). In accordance with the ORC, the Galion Financial Planning and Supervision Commission (the “Commission”) was formed. The Galion City Council adopted a fiscal recovery plan and submitted the plan to the Commission. At December 31, 2006, Galion is still in a state of fiscal emergency. OMEGA JV1 continues to monitor Galion’s ability to stay current with its obligations to OMEGA JV1.

Environmental Matters
OMEGA JV1 is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV1.

Most metropolitan and industrialized counties in Ohio have 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, has been designated a nonattainment area for ozone and fine particulate matter, therefore, the Ohio EPA may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV1 generating facilities.

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

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") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

PricewaterhouseCoopers LLP

Columbus, Ohio
April 18, 2007

Ohio Municipal Electric Generation Agency Joint Venture 2

Financial Statements
December 31, 2006 and 2005

Ohio Municipal Electric Generation Agency Joint Venture 2
Index
December 31, 2006 and 2005

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2

In our opinion, the accompanying balance sheets and the related 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, 2006 and 2005, 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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 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, 2006. 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

Columbus, Ohio
April 18, 2007

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 years ended December 31, 2006 and 2005. 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 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:

Condensed Balance Sheets

	2006	2005	2004
Assets			
Electric Plant, net of accumulated depreciation	$ 40,509,111	$ 43,422,472	$ 46,318,184
Regulatory assets	737,842	605,782	477,961
Restricted assets	527,236	473,603	406,969
Current assets	2,095,756	1,864,723	1,484,032
Total assets	$ 43,869,945	$ 46,366,580	$ 48,687,146
Net Assets and Liabilities			
Net assets	$ 41,895,804	$ 44,379,656	$ 46,886,266
Current liabilities	135,600	252,525	202,552
Noncurrent liabilities	1,838,541	1,734,399	1,598,328
Total net assets and liabilities	$ 43,869,945	$ 46,366,580	$ 48,687,146

Total assets of $43,869,945 decreased $2,496,635 or 5.4% in 2006. This compares to a decrease of total assets of $2,320,566 or 4.8% in 2005, over 2004.

Electric plant, net of accumulated depreciation decreased $2,913,361 for 2006 and $2,895,712 for 2005. The cost of electric plant assets, excluding the cost associated with asset retirement obligations, was $56,874,136, which has remained the same for the years 2006, 2005 and 2004.

Regulatory assets at December 31, 2006 were $737,842. This was an increase of $132,060 in 2006 compared to 2005. Regulatory assets in 2005 increased $127,821 over 2004. The increases were due primarily to increases in accretion expense related to asset retirement obligations.

Restricted assets at December 31, 2006 were $527,236. This was an increase of $53,633 in 2006 compared to 2005, and an increase of $66,634 in 2005 compared to 2004. The increase in both years was due to increased deposits to the overhaul fund of $41,733 and $59,336, respectively.

Current assets as of December 31, 2006 were $2,095,756. This was an increase in 2006 of $231,033 compared to 2005, and an increase of $380,691 in 2005 compared to 2004. In 2006, cash increased $57,400 primarily due to a net loss on operations of $2,569,487 offset in part by depreciation expense of $2,903,318, and inventory purchases of $360,411. Accounts receivables increased $57,864 primarily as a result of increased accounts receivable of $70,881 from participants. Inventories increased $111,842 primarily as a result of higher inventory levels and increases in diesel fuel costs. In 2005, cash increased $278,285 primarily due to a net loss on operations of $2,506,610, offset in part by non cash depreciation expense of $2,903,704, and inventory purchases of $102,301. Accounts receivables increased $72,834 primarily as a result of increased accounts receivable of $93,417 from related parties. Inventories increased $102,301 primarily as a result of higher inventory levels and increases in diesel fuel costs. Prepaid expenses decreased $72,729 primarily as a result of timing of payments. The 2005 insurance premium was paid in December 2004.

Net assets as of December 31, 2006 were $41,895,804. This was a decrease of $2,483,852 in 2006, while in 2005 net assets decreased $2,506,610. These reductions are equal to net operating losses for these periods.

Current liabilities as of December 31, 2006 were $135,600. This was a decrease of $116,925 in 2006, while 2005 had an increase of $49,973. The decrease from 2005 to 2006 was primarily due to a decrease in accounts payable of $130,674. The increase from 2004 to 2005 was primarily due to an increase in accounts payable of $41,761.

Noncurrent liabilities as of December 31, 2006 were $1,833,541. This was an increase of $104,142 in 2006, while 2005 had an increase of $136,071. These increases were primarily due to increases in deposits by the Participants to the overhaul fund for major repairs and maintenance and increases in asset retirement obligations of $72,451 in 2006 compared to 2005, and an increase of $76,735 in 2005 compared to 2004.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues	$ 2,546,329	$ 2,757,613	$ 2,329,762
Operating expenses	5,115,816	5,315,985	4,802,075
Operating loss	(2,569,487)	(2,558,372)	(2,472,313)
Nonoperating revenue			
Investment income	85,635	51,762	18,240
Change in net assets	$ (2,483,852)	$ (2,506,610)	$ (2,454,073)

Electric revenues in 2006 were $2,546,329; this was a decrease of $211,284 for 2006, while 2005 increased by $427,851 over 2004. OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expense. OMEGA JV2 does not include in their rates any bond payments by OMEGA JV2 financing participants that are made directly to AMP-Ohio. The 2006 operating revenue decrease of $211,284 is attributable to the decrease in energy production from the generating units. In 2006, the energy production was 5,144 megawatt hours compared to 7,467 megawatt hours in 2005.

Operating expenses in 2006 were $5,115,816. This was a decrease of $200,169 in 2006 compared to 2005. In 2005, operating expenses increased $513,910 compared to 2004. Diesel fuel expense for 2006 was $619,956, in 2005 it was $830,185 and in 2004 it was $406,333. In 2006, the $200,169 decrease in operating expenses over 2005 was primarily due to a decrease in diesel fuel expense of $210,229, a decrease in related party services of $28,815, and a decrease in utilities of $28,225, offset by an increase in maintenance expense of $42,144 and an increase in other expenses of $18,158. In 2005, the $513,910 increase in operating expenses over 2004 was due primarily to an increase in diesel fuel expense of $423,852, an increase in utilities of $75,357, and an increase in other expenses of $13,634.

Investment income in 2006 was $85,635, which was an increase of $33,873 for 2006 and 2005 had an increase of $33,522. Investment income of $73,734 was earned on the checking account for the Operating Funds held at the bank. Interest income of $11,899 was on funds held by trustee as a requirement of the bond obligation for benefit of the OMEGA JV2 financing participants, these funds were invested in short-term government backed securities, double rated short term commercial paper, or the trust agency's money market account.

Ohio Municipal Electric Generation Agency Joint Venture 2
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Electric plant and equipment		
Electric generators	$ 58,051,835	$ 58,061,878
Vehicles	33,100	33,100
Accumulated depreciation	(17,575,824)	(14,672,506)
Total electric plant and equipment	40,509,111	43,422,472
Regulatory assets	737,842	605,782
Restricted assets		
Funds held by trustee	251,056	239,156
Overhaul fund	276,180	234,447
Total restricted assets	527,236	473,603
Current assets		
Cash and cash equivalents	1,253,888	1,196,488
Receivables from participants	301,379	230,498
Receivables from related parties	87,895	100,912
Inventory	360,411	248,569
Prepaid expenses	92,183	88,256
Total current assets	2,095,756	1,864,723
Total assets	$ 43,869,945	$ 46,366,580
Net Assets and Liabilities		
Net assets		
Invested in capital assets	$ 40,509,111	$ 43,422,472
Restricted	527,236	473,603
Unrestricted	859,457	483,581
Total net assets	41,895,804	44,379,656
Commitments and contingencies (Note 9)		
Current liabilities		
Accounts payable and accrued expenses	89,601	220,275
Payable to related parties	45,999	32,250
Total current liabilities	135,600	252,525
Noncurrent liabilities		
Regulatory liabilities	276,180	234,447
Asset retirement obligations	1,562,361	1,499,952
Total noncurrent liabilities	1,838,541	1,734,399
Total liabilities	1,974,141	1,986,924
Total net assets and liabilities	$ 43,869,945	$ 46,366,580

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, 2006 and 2005

	2006	2005
Operating Revenues		
Electric revenue	$ 2,546,329	$ 2,757,613
Operating Expenses		
Related party services	610,196	639,011
Depreciation	2,903,318	2,903,704
Accretion of asset retirement obligation	72,451	68,743
Fuel	619,956	830,185
Maintenance	521,088	478,944
Utilities	143,096	171,321
Insurance	198,738	199,113
Professional services	106,504	98,414
Other operating expenses	72,529	54,371
Future recoverable costs	(132,060)	(127,821)
Total operating expenses	5,115,816	5,315,985
Operating loss	(2,569,487)	(2,558,372)
Nonoperating Revenues		
Investment income	85,635	51,762
Change in net assets	(2,483,852)	(2,506,610)
Net assets, beginning of year	44,379,656	46,886,266
Net assets, end of year	$ 41,895,804	$ 44,379,656

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, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from participants	$ 2,517,181	$ 2,837,532
Cash paid to related parties for personnel services	(510,100)	(487,639)
Cash payments to suppliers and related parties for goods and services	(1,981,684)	(2,056,736)
Net cash provided by operating activities	25,397	293,157
Cash flows from investing activities		
Deposit to overhaul fund	(41,733)	(59,336)
Purchases of investments	(978,393)	(701,287)
Proceeds from sale of investments	966,494	693,989
Investment income received	85,635	51,762
Net cash provided by (used in) investing activities	32,003	(14,872)
Net change in cash and cash equivalents	57,400	278,285
Cash and cash equivalents, beginning of year	1,196,488	918,203
Cash and cash equivalents, end of year	$ 1,253,888	$ 1,196,488
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (2,569,487)	$ (2,558,372)
Depreciation	2,903,318	2,903,704
Accretion of asset retirement obligation	72,451	68,743
Future recoverable costs	(132,060)	(127,821)
Deferred revenue	41,733	59,336
Changes in assets and liabilities		
Receivables from participants	(70,881)	20,583
Receivables from related parties	13,017	(93,417)
Inventory	(111,842)	(102,301)
Prepaid expenses	(3,927)	72,729
Accounts payable and accrued expenses	(130,674)	67,946
Payable to related parties	13,749	(17,973)
Net cash provided by operating activities	$ 25,397	$ 293,157
Supplemental disclosure of noncash capital and related financing activities		
Adjustment to electric plant from asset retirement obligations	$ (10,042)	$ 7,992

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 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. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV2 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

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.

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 service utility of the capital asset may have significantly and unexpectedly declined. 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 value with unrealized and realized gains and losses included in nonoperating revenues in the statements of revenues, expenses and changes in net assets. 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

OMEGA JV2 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets and Liabilities

OMEGA JV2 records regulatory assets (deferred expenses to be recovered in rates in future periods). 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	11.48
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	0.05
Arcanum	44	0.03
Custar	4	0.00
	134,081	100.00 %
Reserves	4,569	
kW capacity of the Project	$ 138,650	

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 5). 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 September 2006 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157"), *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. OMEGA JV2 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

3. Electric Plant and Equipment

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

	2006		
	Beginning Balance	**Additions (Reductions)**	**Ending Balance**
Electric generators	$ 58,061,878	$ (10,043)	$ 58,051,835
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	58,094,978	(10,043)	58,084,935
Less: Accumulated depreciation	(14,672,506)	(2,903,318)	(17,575,824)
Electric plant and equipment, net	$ 43,422,472	$ (2,913,361)	$ 40,509,111

	2005		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 58,053,886	$ 7,992	$ 58,061,878
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	58,086,986	7,992	58,094,978
Less: Accumulated depreciation	(11,768,802)	(2,903,704)	(14,672,506)
Electric plant and equipment, net	$ 46,318,184	$ (2,895,712)	$ 43,422,472

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 $96,359 and $153,461 for the years ended December 31, 2006 and 2005, respectively, and had a payable due to Amp-Ohio of $10,012 at December 31, 2006, for these services. OMEGA JV2 had a receivable due from AMP-Ohio in the amount of $83,184 at December 31, 2005 for payment of charges related to AMP-Ohio. At December 31, 2006, OMEGA JV2 had a receivable due from AMP-Ohio in the amount of $87,895.

- 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 $513,837 and $485,550 for the years ended December 31, 2006 and 2005, respectively, and had a payable to MESA for $35,987 and $32,250 at December 31, 2006 and 2005, respectively.
- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $143,096 and $171,321 for these services for the years ended December 31, 2006 and 2005, respectively.
- OMEGA JV2 had a receivable from OMEGA JV5 in the amount of $17,728 at December 31, 2005 for payment of charges related to OMEGA JV5.

5. 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.

The Participants in OMEGA JV2 consist of financing and nonfinancing participants. On January 1, 2001, AMP-Ohio issued $50,260,000 of OMEGA JV2 Project Distributive Generation Bonds, Series 2001 (the "OMEGA JV2 Bonds"), in the form of serial 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 contributed $12,665,886.

The OMEGA JV2 Bonds were not issued by OMEGA JV2 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV2 Bonds are not recorded in the financial statements of OMEGA JV2. The OMEGA JV2 Bonds outstanding at December 31, 2005, are as follows:

Maturity Date January 1,	Principal Amount	Interest Rate
2007	$ 1,940,000	4.05 %
2008	2,020,000	4.10 %
2009	2,120,000	4.15 %
2010	2,225,000	5.00 %
2011	2,335,000	5.25 %
2012	2,460,000	5.25 %
2013	2,590,000	5.25 %
2014	2,725,000	5.25 %
2015	2,865,000	5.25 %
2016	3,015,000	5.25 %
2017	3,175,000	5.25 %
2021	14,280,000	4.75 %
	$ 41,750,000	

The OMEGA JV2 Bonds mature in various annual installments through January 1, 2021. Interest is payable semiannually at fixed interest rates.

The OMEGA JV2 Bonds are payable solely from the municipal electric utility system revenues of OMEGA JV2 financing participants. The OMEGA JV2 Bonds require compliance by the financing participants with the Agreement, which requires that each financing participant maintain a debt service coverage ratio of 1.1 or greater.

Based upon audited financial information for the year 2005, one Participant was not in compliance with the debt service coverage ratio requirement. The Participant represented that it is in compliance with the debt service coverage requirement in 2006 and expects to be in compliance in 2007 and beyond. Based on these representations, OMEGA JV2 took action to waive the noncompliance.

The OMEGA JV2 Bonds are not subject to optional redemption before January 11, 2011. The OMEGA JV2 Bonds maturating after January 11, 2011 are subject to redemption in whole or in part on any date on or after January 11, 2011, at a redemption price of 100% of the outstanding principal plus accrued interest.

6. Cash and Cash Equivalents and Restricted Assets

Deposits
Custodial risk is the risk that in the event of a bank failure, JV2's deposits may not be returned to it. JV2 does not have a custodial credit risk policy. JV2 has custodial credit risk on its cash and cash equivalent balances to the extent the balances exceed the federally insured limit of $100,000.

Credit Risk

OMEGA JV2 invests in instruments approved under the entity's investment policy. The board of participants has authorized JV2 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services. At December 31, 2006 and 2005, JV2 had investments of $1,253,888 and $1,196,488, respectively, in a public funds money market account. In general, money market funds are not rated.

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 Agreement requires OMEGA JV2 to maintain a minimum funding in the Reserve and Contingency Fund 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.

Under the terms of the Agreement, if the balance of the fund is less than the required minimum, then AMP-Ohio shall direct OMEGA JV2 to increase billings to financing participants such that the deficiency in the balance is funded within twelve months.

The Agreement requires OMEGA JV2 to maintain the Overhaul Fund for periodic overhauls of the electric generation and related facilities.

The certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code. The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2006 and 2005, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

At December 31, 2006 the Reserve and Contingency Fund was invested primarily in commercial paper of entities with credit ratings of A1+ by Standard & Poor's. The Overhaul Fund was invested in a public funds money market account. In general, money market funds are not rated.

7. 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.

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

	2006			
	Beginning Balance	**Revisions to Estimate**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,499,952	$ (10,042)	$ 72,451	$ 1,562,361

	2005			
	Beginning Balance	**Revisions to Estimate**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,423,217	$ 7,992	$ 68,743	$ 1,499,952

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

8. 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.

9. Commitments and Contingencies

Participant Credit Risk

In March 2004, OMEGA JV2 became aware that the City of Galion ("Galion") was experiencing financial difficulties. Galion is an all requirements member participating in the Project to the extent of approximately 4% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code ("ORC"). In accordance with the ORC, the Galion Financial Planning and Supervision Commission (the "Commission") was formed. The Galion City Council adopted a fiscal recovery plan and submitted the plan to the Commission. At December 31, 2006, Galion is still in a state of fiscal emergency. OMEGA JV2 continues to monitor Galion's ability to stay current with its obligations to OMEGA JV2 and the project financing.

Environmental Matters

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV2.

Most metropolitan and industrialized counties in Ohio have 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 non-attainment areas for ozone and fine particulate matter; therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the portions of the Project in these areas.

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

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV2's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying schedule of findings and responses (item 06-1) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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Compliance and Other Matters
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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OMEGA JV2's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit OMEGA JV2's response and, accordingly, we express no opinion on it.

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

PricewaterhouseCoopers LLP

Columbus, Ohio
April 18, 2007

Finding 06-1 Revenue Controls Should be Strengthened
Currently, the billing program is a series of spreadsheets. There is no security function enabled within the software to prevent unauthorized or inadvertent changes. There is minimal or no documentation of changes made to the spreadsheet program. Changes can and are made to the program logic and calculations by the same individuals who enter billing data into the spreadsheet. There is no detailed, independent review of billing adjustments.

Because of the complexity of the billing process, management should ensure there are robust controls in place to monitor revenue and approve billing adjustments. At a minimum, management should specifically consider the following:

- A periodic comparison (at least quarterly) of revenue billed to rates approved by the Board of Participants should be performed. This comparison should either be done or reviewed by someone independent of the individual processing bills in order to obtain an objective view point. The individual should perform an independent calculation of expected revenue based on rates approved by the Board of Participants, compare that expectation to actual year-to-date revenue, and investigate differences from expectation.

- To the extent a significant billing adjustment is deemed necessary, the adjustment should be reviewed and approved by an individual other than the person proposing the adjustment in order to obtain an objective point of view.

Management's Views and Corrective Action Plan
At the end of each quarter, the Director of Energy Accounting will prepare a report of revenue billed to rates approved by the Board of Participants for OMEGA JV2. The report will be reviewed for content and accuracy by the Assistant Vice President Generation Services. In addition, any billing adjustment over $10,000 proposed by the Billing Department will be reviewed and approved by the Assistant Vice President Generation Services prior to executing the billing adjustment.

Prior to the preparation of the 2008 budget, the Generation Services Department will review with the Finance Department the process of how fuel is procured and charged through rates back to the participants. This review process will be conducted each year prior to the annual budget preparation period.

Ohio Municipal Electric Generation Agency Joint Venture 4

Financial Statements
December 31, 2006 and 2005

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December 31, 2006 and 2005

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4

In our opinion, the accompanying balance sheets and the related 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, 2006 and 2005, 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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 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, 2006. 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

Columbus, Ohio
April 18, 2007

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the years ended December 31, 2006 and 2005. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV4 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV4's basic financial statements include the 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 reports revenues and expenses 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:

Condensed Balance Sheets

	2006	2005	2004
Assets			
Transmission line, net of accumulated depreciation	$ 1,864,674	$ 1,926,768	$ 1,457,914
Current assets	677,335	819,238	1,180,753
Total assets	$ 2,542,009	$ 2,746,006	$ 2,638,667
Net Assets and Liabilities			
Net assets	$ 2,493,929	$ 2,711,723	$ 2,622,025
Current liabilities	48,080	34,283	16,642
Total net assets and liabilities	$ 2,542,009	$ 2,746,006	$ 2,638,667

Total assets of $2,542,009 decreased $203,997 or 7.4% in 2006. This decrease is a result of a decrease in transmission line, net of accumulated depreciation, of $62,094, and a net decrease in current assets of $141,903.

Total assets of $2,746,006 increased $107,339 or 4.1% in 2005. This increase is a result of an increase in transmission line, net of accumulated depreciation, of $468,854, partially offset by a net decrease in current assets of $361,515.

Transmission line, net of accumulated depreciation at December 31, 2006 was $1,864,674. This was a decrease of $62,094, or 3.2%. In 2006, capital expenditures were $34,428, while deprecation expense was $96,522.

Transmission line, net of accumulated depreciation at December 31, 2005 was $1,926,768. This was an increase of $468,854, or 32.2%. The increase of $468,854 was the result of capitalizing three projects for a total of $544,872: 1) 69kV Underground Improvements $286,241; 2) 69kV Reconductor Project $244,486; and 3) obtaining a right-of-way over Norfolk Southern's railroad line for $14,145, offset by depreciation.

Current assets decreased $141,903 or 17.3% in 2006. Cash decreased $126,609 primarily due to capital expenditures of $34,428 and distributions to participants of $344,700, offset by income less deprecation expense of $223,428. Accounts receivable decreased by $15,330. Prepaid insurance increased $36.

Current assets decreased $361,515 or 30.6% in 2005. Cash decreased $304,293 primarily due to capital expenditures of $544,872 and distributions to participants of $344,700, offset in part by income before distributions, net of depreciation expense, of $358,380. Accounts receivable decreased $26,168, due primarily to a decrease in rates in the fourth quarter of 2005. Accounts receivable from a related party decreased primarily as a result of a decrease in transmission rates in December 2005. Prepaid insurance decreased $12,407 primarily as a result of timing of payments. The 2005 insurance premiums were paid in December 2004.

Total net assets and liabilities decreased $203,997 or 7.4% in 2006. Net assets as of December 31, 2006 were $2,493,929; this was a decrease of $217,794 in 2006. The 2006 decrease of $217,794 was attributable to earnings of $126,906 offset by distributions to participants of $344,700.

Total net assets and liabilities increased $107,339 or 4.1% in 2005. Net assets as of December 31, 2005 were $2,711,723; this was an increase of $89,698 in 2005. The 2005 increase of $89,698 was attributable to earnings of $434,398 offset by distributions to participants of $344,700.

Current liabilities as of December 31, 2006 were $48,080, this was an increase of $13,797 in 2006 due primarily to an decrease in accounts payable to a related party of $18,256 and an increase in accrued expenses of $32,053.

Current liabilities as of December 31, 2005 were $34,283, this was an increase of $17,641 in 2005 due primarily to an increase in accounts payable to a related party of $16,715 and an increase in accrued expenses of $926.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues	$ 270,000	$ 639,534	$ 784,428
Operating expenses	178,476	235,330	182,392
Operating income	91,524	404,204	602,036
Nonoperating revenues			
Investment income	35,382	30,194	13,810
Income before distributions	126,906	434,398	615,846
Distributions to participants	(344,700)	344,700	368,021
Change in net assets	$ (217,794)	$ 89,698	$ 247,825

Transmission revenues in 2006 were $270,000; this was a decrease of $369,534 or 57.8% compared to 2005. This reduction was the result of renegotiated contracts in the fourth quarter of 2005.

Transmission revenues in 2005 were $639,534; this was a decrease of $144,894 or 18.5% compared to 2004. In 2005, OMEGA JV4 renegotiated contracts and rates with participants and the primary customer. The renegotiated contracts became effective in the fourth quarter of 2005. Rates for revenue were set at $22,500 per month. Previous rates were variable based on actual transmission line usage. This resulted in a decrease in operating revenues in 2005.

Operating expenses in 2006 were $178,476, a decrease of $56,854 or 24.2% compared to 2005. Four primary factors affected the $56,854 decrease in operating expenses for 2006: 1) Maintenance expense decreased $35,325; 2) services to Municipal Energy Services Agency decreased $32,529; 3) depreciation expense increased $20,504; and 4) other operating expenses decreased $9,549.

Operating expenses in 2005 were $235,330, an increase of $52,938 or 29.0% compared to 2004. Three primary factors affected the $52,938 increase in operating expenses for 2005: 1) Maintenance expense increased $30,279 (this increase related to clearing brush under the transmission lines); 2) services to Municipal Energy Services Agency increased $12,128 (related to management of the construction projects); and 3) depreciation expense increased $6,579 relating to the $544,872 in new assets purchased in 2005. The $105,490 reduction in operating expenses in 2004 was primarily related to writing off obsolete repair parts inventory in 2003 of $130,808. Maintenance expense in 2004 was $120,281 less than in 2003.

Investment income in 2006 was $35,382, which was an increase of $5,188 or 17.2% compared to 2005. The 2006 increase was a result of higher investment rates.

Investment income in 2005 was $30,194, which was an increase of $16,384 or 118.6% compared to 2004. The 2005 increase was a result of higher investment rates.

Ohio Municipal Electric Generation Agency Joint Venture 4
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Utility plant		
Transmission line	$ 2,640,938	$ 2,606,510
Accumulated depreciation	(776,264)	(679,742)
Total utility plant	1,864,674	1,926,768
Current assets		
Cash and cash equivalents	652,343	778,952
Receivables	22,500	37,830
Prepaid expenses	2,492	2,456
Total current assets	677,335	819,238
Total assets	$ 2,542,009	$ 2,746,006
Net Assets and Liabilities		
Net assets		
Invested in capital assets	$ 1,864,674	$ 1,926,768
Unrestricted	629,255	784,955
Total net assets	2,493,929	2,711,723
Commitments and contingencies (Note 7)		
Current liabilities		
Accrued expenses	45,995	13,942
Payable to related party	2,085	20,341
Total current liabilities	48,080	34,283
Total net assets and liabilities	$ 2,542,009	$ 2,746,006

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, 2006 and 2005

	2006	2005
Operating Revenues		
Transmission revenue	$ 270,000	$ 639,534
Operating Expenses		
Related party personnel services	42,210	74,739
Depreciation	96,522	76,018
Maintenance	5,630	40,955
Professional services	15,869	15,824
Other operating expenses	18,245	27,794
Total operating expenses	178,476	235,330
Operating income	91,524	404,204
Nonoperating Revenues		
Investment income	35,382	30,194
Income before distributions	126,906	434,398
Distributions to participants		
Bryan	(144,774)	(144,774)
Pioneer	(103,410)	(103,410)
Montpelier	(86,175)	(86,175)
Edgerton	(10,341)	(10,341)
Total distributions	(344,700)	(344,700)
Change in net assets	(217,794)	89,698
Net assets, beginning of year	2,711,723	2,622,025
Net assets, end of year	$ 2,493,929	$ 2,711,723

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, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from participants and customers	$ 285,330	$ 665,702
Cash paid to related parties for personnel services	(45,079)	(73,502)
Cash paid to suppliers and related parties for goods and services	(57,542)	(37,115)
Net cash provided by operating activities	182,709	555,085
Cash flows from noncapital financing activities		
Distributions to participants	(344,700)	(344,700)
Net cash used in noncapital financing activities	(344,700)	(344,700)
Cash flows from capital and related financing activities		
Capital expenditures	-	(544,872)
Net cash used in capital and related financing activities	-	(544,872)
Cash flows from investing activities		
Investment income received	35,382	30,194
Net cash provided by investing activities	35,382	30,194
Net change in cash and cash equivalents	(126,609)	(304,293)
Cash and cash equivalents, beginning of year	778,952	1,083,245
Cash and cash equivalents, end of year	$ 652,343	$ 778,952
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 91,524	$ 404,204
Depreciation	96,522	76,018
Changes in assets and liabilities		
Receivables	15,330	26,168
Receivable from related party	-	18,647
Prepaid expenses	(36)	12,407
Accrued expenses	(2,375)	926
Payable to related party	(18,256)	16,715
Net cash provided by operating activities	$ 182,709	$ 555,085
Supplemental disclosure of noncash capital and related financing activities		
Capital addition and related accrued expenses	$ 34,428	$ -

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 2006 and 2005 OMEGA JV4 derived a majority of its revenue from two customers. The Agreement continues until 60 days subsequent to the termination or disposition of the Project; provided, however, that each Participant shall remain obligated to pay to OMEGA JV4 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

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.

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

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 September 2006 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157") Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. OMEGA JV4 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

3. Utility Plant

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

	2006		
	Beginning Balance	**Additions**	**Ending Balance**
Transmission line	$ 2,606,510	$ 34,428	$ 2,640,938
Less: Accumulated depreciation	(679,742)	(96,522)	(776,264)
Utility plant, net	$ 1,926,768	$ (62,094)	$ 1,864,674

	2005		
	Beginning Balance	**Additions**	**Ending Balance**
Transmission line	$ 2,061,638	$ 544,872	$ 2,606,510
Less: Accumulated depreciation	(603,724)	(76,018)	(679,742)
Utility plant, net	$ 1,457,914	$ 468,854	$ 1,926,768

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 a payable due to AMP-Ohio in the amount of $91 and $15,478 at December 31, 2006 and 2005, 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 $42,210 and $74,739 for the years ended December 31, 2006 and 2005, respectively. Additionally, OMEGA JV4 capitalized $25,398 of labor provided by MESA into the cost of the transmission line during the year ended December 31, 2005. OMEGA JV4 had a payable to MESA of $1,994 and $4,863 at December 31, 2006 and 2005, respectively.

5. Cash and Cash Equivalents

Deposits
Custodial risk is the risk that in the event of a bank failure, JV4's deposits may not be returned to it. JV4 does not have a custodial credit risk policy. JV4 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000.

Credit Risk
OMEGA JV4 invests in instruments allowed under the Ohio Revised Code, Chapter 135. At December 31, 2006 and 2005, JV4 had investments of $652,343 and $778,952, respectively, in a public funds money market account. In general, money market funds are not rated.

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.

7. Commitments and Contingencies

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV4.

Transmission revenue in 2006 and 2005 was derived primarily from sales to two municipalities; 68% and 82%, respectively, from a nonparticipant, and 32% and 18%, respectively, from a Participant. The contract with the nonparticipant can be cancelled on October 31, 2007 upon written notice six months prior to cancellation. A decision by the nonparticipant to purchase transmission service from a different provider would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

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

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") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV4's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV4's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV4's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PRICEWATERHOUSECOOPERS

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

Columbus, Ohio
April 18, 2007

Ohio Municipal Electric Generation Agency Joint Venture 5

Financial Statements
December 31, 2006 and 2005

Ohio Municipal Electric Generation Agency Joint Venture 5
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December 31, 2006 and 2005

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

In our opinion, the accompanying balance sheets and the related 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, 2006 and 2005, 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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007, 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, 2006. 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

Columbus, Ohio
April 18, 2007

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") for the years ended December 31, 2006 and 2005. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV5 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV5's basic financial statements include the 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 reports 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, non-capital financing, investing and capital and related financing activities.

Financial Highlights

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

Condensed Balance Sheets

	2006	2005	2004
Assets			
Utility plant	$ 150,682,794	$ 155,345,413	$ 160,008,032
Restricted assets	10,403,638	10,108,620	9,961,510
Current assets	8,719,973	7,118,763	6,489,833
Other assets	3,464,101	3,994,153	4,573,958
Total assets	$ 173,270,506	$ 176,566,949	$ 181,033,333
Net Assets and Liabilities			
Net assets	$ 10,803,191	$ 9,281,983	$ 8,645,112
Net beneficial interest certificates	124,403,675	127,708,849	130,883,746
Liabilities payable from restricted assets	7,548,714	7,375,525	7,307,068
Current liabilities	1,478,498	1,521,138	1,673,625
Regulatory and noncurrent liabilities	29,036,428	30,679,454	32,523,782
Total net assets and liabilities	$ 173,270,506	$ 176,566,949	$ 181,033,333

Utility plant assets decreased $4,662,619 in 2006 and $4,662,619 in 2005 as a result of accumulated depreciation in those respective years. There were no significant capital expenditures or retirements of assets for OMEGA JV5 during these years.

Restricted assets at December 31, 2006 were $10,403,638. This was an increase of $295,018 in 2006 compared to 2005, and an increase in of $147,110 in 2005 compared to 2004. The increases in both 2006 and 2005 were primarily due to interest earned on funds on deposit with the trustee.

Current assets at December 31, 2006 were $8,719,973. This was an increase of $1,601,210 for 2006 compared to 2005, and an increase of $628,930 in 2005 compared to 2004. The increase in 2006 is due to an increase in operating cash of $1,325,997, an increase in accounts receivable of $45,646, an increase in other receivables of $188,673 and an increase in inventory and prepaid expenses of $40,894. In 2005, the increase is due to an increase in operating cash of $846,395, a decrease in accounts receivable of $173,856, an increase in related party receivables of $2,974 and a decrease in inventory and prepaid expenses of $46,583.

Other assets at December 31, 2006 were $3,464,101. This was a decrease in 2006 compared to 2005 of $530,052, and a decrease in 2005 compared to 2004 of $579,805. These decreases were primarily due to amortization expense related to prepaid bond insurance and issuance costs and the prepaid dedicated capacity contract.

Net assets at December 31, 2006 were $10,803,191. This was an increase in 2006 compared to 2005 of $1,521,208, and an increase in 2005 compared to 2004 of $636,871. These increases were the result of positive net margins in each of these years.

Net Beneficial Interest Certificates at December 31, 2006 were $124,403,675. This was a decrease in 2006 over 2005 of $3,305,174, and a decrease in 2005 over 2004 of $3,174,897. The decrease in 2006 compared to 2005 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of $4,125,000 combined with accretion expense on the 2001 bonds. The decrease in 2005 compared to 2004 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of $4,065,000 combined with accretion expense on the 2001 bonds.

Liabilities from restricted assets at December 31, 2006 were $7,548,714. This was an increase of $173,189 in 2006 compared to 2005, and an increase of $68,457 in 2005 compared to 2004. The increase in both 2006 and 2005 is reflective of the increase in the current liability for Beneficial interest certificates of $160,000 and $60,000, respectively.

Current liabilities at December 31, 2006 were $1,478,498. This was a decrease in 2006 compared to 2005 of $42,640, and a decrease in 2005 compared to 2004 of $152,487. The decrease in 2006 over 2005 was primarily due to an increase in regulatory liabilities of $39,678, offset by a decrease in payable to related parties and accounts payable and accrued expenses of $82,318. The decrease in 2005 compared to 2004 was primarily due to a decrease in accounts payable and accrued expenses.

Regulatory and noncurrent liabilities at December 31, 2006 were $29,036,428. This was a decrease in 2006 compared to 2005 of $1,643,026, and a decrease of $1,844,328 in 2005 compared to 2004. These decreases were primarily due to deferred revenue that was recognized for each year.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues	$ 23,567,468	$ 24,651,913	$ 21,381,400
Operating expenses	22,817,173	24,324,457	20,775,490
Operating margin	750,295	327,456	605,910
Nonoperating revenue			
Investment income	582,240	309,415	145,628
Litigation settlement	188,673	-	-
Total nonoperating revenue	770,913	309,415	145,628
Change in net assets	$ 1,521,208	$ 636,871	$ 751,538

Operating revenues decreased $1,084,445 in 2006 compared to 2005. Operating revenue increased $3,270,513 in 2005 compared to 2004. The decrease in 2006 compared to 2005 is a result of a decrease in replacement purchased power, primarily due to an increase in generation. Generation at the hydroelectric generating plant was interrupted in January 2005 due to a barge accident on the Ohio River. In April 2005, flooding also caused an interruption in generation. Replacement power for the Project is purchased at market prices and charged to OMEGA JV5 Participants in the normal invoicing process. Rates for OMEGA JV5 are set based on budgets that are approved by the Board of Participants. Beginning in 2006, OMEGA JV5 Participants pay a flat rate designed to cover the cost of replacement power. The rate is established by the Board of Participants.

Operating expenses decreased by $1,507,284 in 2006 compared to 2005 primarily as a result of a decrease in replacement purchased power. Operating expenses increased in 2005 compared to 2004 primarily as the result of an increase in replacement purchased power.

Investment income increased $272,825 in 2006 compared to 2005, and increased $163,787 in 2005 compared to 2004. These increases were primarily the result of increased levels of cash on-hand and rising interest rates for these years.

Litigation settlements increased $188,673 in 2006 compared to 2005. A settlement was reached involving the barge accident in January 2005, which was discussed in the paragraph above.

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Utility plant		
Electric plant in service	$ 186,288,814	$ 186,288,814
Land	431,881	431,881
Accumulated depreciation	(36,037,901)	(31,375,282)
Total utility plant	150,682,794	155,345,413
Restricted assets—funds held by trustee	10,403,638	10,108,620
Current assets		
Cash and cash equivalents	7,321,770	5,995,773
Receivables from participants	692,466	822,896
Receivables from related parties	179,050	2,974
Other receivables	188,673	-
Inventory	121,425	81,747
Prepaid expenses	216,589	215,373
Total current assets	8,719,973	7,118,763
Other assets		
Prepaid dedicated capacity	560,332	800,474
Prepaid bond insurance	1,430,175	1,581,103
Beneficial interest certificates' issuance costs	1,473,594	1,612,576
Total other assets	3,464,101	3,994,153
Total assets	$ 173,270,506	$ 176,566,949

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 21,994,119	$ 23,511,564
Restricted	7,139,925	6,858,095
Unrestricted	(18,330,853)	(21,087,676)
Total net assets	10,803,191	9,281,983
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(37,434,356)	(38,426,529)
	18,690,644	17,698,471
2004 beneficial interest refunding certificates	104,435,000	108,720,000
Unamortized premium	5,833,079	6,405,372
Unamortized cost from defeasance of 1993 beneficial interest certificates	(4,555,048)	(5,114,994)
	105,713,031	110,010,378
Net beneficial interest certificates, noncurrent	124,403,675	127,708,849
Liabilities payable from restricted assets		
Accrued interest	1,829,878	1,891,753
Debt service collected to be reimbursed to members	1,433,836	1,358,772
Beneficial interest certificates, current	4,285,000	4,125,000
Total liabilities payable from restricted assets	7,548,714	7,375,525
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	1,289,893	917,700
Payable to related parties	67,180	521,691
Regulatory liabilities—current	121,425	81,747
Total current liabilities	1,478,498	1,521,138
Noncurrent liabilities		
Regulatory liabilities	28,954,504	30,580,021
Accrued license fees	81,924	99,433
Total noncurrent liabilities	29,036,428	30,679,454
Total liabilities	162,467,315	167,284,966
Total net assets and liabilities	$ 173,270,506	$ 176,566,949

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, 2006 and 2005

	2006	2005
Operating Revenues		
Electric revenue	$ 23,567,468	$ 24,651,913
Operating Expenses		
Purchased power	7,768,052	9,509,332
Related party services	1,097,836	1,061,338
Depreciation and amortization	5,192,671	5,242,424
Maintenance	518,479	404,939
Utilities	113,426	111,976
Insurance	371,779	383,974
Professional services	236,525	175,429
Payment in lieu of taxes	840,000	839,975
Other operating expenses	798,278	590,130
Interest expense	5,880,127	6,004,940
Total operating expenses	22,817,173	24,324,457
Operating income	750,295	327,456
Nonoperating Revenues		
Investment income	582,240	309,415
Litigation settlement	188,673	-
Total nonoperating revenues	770,913	309,415
Change in net assets	1,521,208	636,871
Net assets, beginning of year	9,281,983	8,645,112
Net assets, end of year	$ 10,803,191	$ 9,281,983

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, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from participants	$ 22,112,059	$ 22,911,720
Cash paid to related parties for personnel services	(925,044)	(780,196)
Cash payments to suppliers and related parties for goods and services	(11,136,128)	(12,423,095)
Net cash provided by operating activities	10,050,887	9,708,429
Cash flows from capital and related financing activities		
Payments on beneficial interest certificates	(4,125,000)	(4,065,000)
Interest payments on beneficial interest certificates	(4,962,176)	(5,085,325)
Proceeds from debt service to be refunded to members	1,588,536	1,484,009
Payment of debt service refunded to members	(1,513,472)	(1,445,064)
Net cash used in capital and related financing activities	(9,012,112)	(9,111,380)
Cash flows from investing activities		
Purchases of investments	(30,859,089)	(27,404,248)
Proceeds from sale of investments	30,629,166	27,257,138
Investment income received	517,145	396,456
Net cash provided by investing activities	287,222	249,346
Net change in cash and cash equivalents	1,325,997	846,395
Cash and cash equivalents, beginning of year	5,995,773	5,149,378
Cash and cash equivalents, end of year	$ 7,321,770	$ 5,995,773
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 750,295	$ 327,456
Depreciation	4,662,619	4,662,619
Amortization of other assets	530,052	579,805
Amortization of discount, premium and defeasance cost on beneficial interest certificates	979,826	950,103
Interest payments on beneficial interest certificates	4,962,176	5,085,325
Deferred revenue	(1,585,839)	(1,914,049)
Changes in assets and liabilities		
Receivables from participants	130,430	173,856
Receivables from related parties	(176,076)	(2,974)
Inventory	(39,678)	(22,288)
Prepaid expenses	(1,216)	68,871
Accrued interest	(61,875)	(30,488)
Accounts payable and accrued expenses	372,193	(207,266)
Payable to related parties	(454,511)	32,491
Accrued license fees	(17,509)	4,968
Net cash provided by operating activities	$ 10,050,887	$ 9,708,429
Supplemental disclosure of noncash activities		
Noncash settlement of litigation	$ 188,673	$ -

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

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.

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

Utility plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that 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
OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV5 has determined that 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.

Regulatory Liabilities
OMEGA JV5 records regulatory liabilities (deferred revenues for rates collected from Participants for expenses not yet incurred). Regulatory liabilities consist of deferred revenue related to amounts prepaid by the Participants for debt service payments and contributions to the Reserve and Contingency Fund and interest earned thereon. As depreciation expense from capital expenditures, amortization expense from items related to the Certificates and interest expense is incurred, regulatory liabilities are amortized to match revenues with the related expenses.

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 September 2006 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157") Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. OMEGA JV5 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

Revision to 2005 Statement of Cash Flows

During 2006, OMEGA JV5 determined that interest payments on beneficial interest certificates should be reflected as a cash outflow from capital and related financing activities rather than as a cash outflow from operating activities in accordance with GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. As a result, the 2005 statement of cash flows has been revised to increase cash flows from operating activities and decrease cash flows from capital and related financing activities in the amount of $5,085,325. This revision has been made to enhance the comparability of all periods presented and is not considered material to the prior period as originally presented.

3. Utility Plant

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

	2006		
	Beginning Balance	**Additions**	**Ending Balance**
Utility plant	$ 186,288,814	$ -	$ 186,288,814
Land	431,881	-	431,881
Total utility plant in service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(31,375,282)	(4,662,619)	(36,037,901)
Utility plant, net	$ 155,345,413	$ (4,662,619)	$ 150,682,794

	2005		
	Beginning Balance	**Additions**	**Ending Balance**
Utility plant	$ 186,288,814	$ -	$ 186,288,814
Land	431,881	-	431,881
Total utility plant in service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(26,712,663)	(4,662,619)	(31,375,282)
Utility plant, net	$ 160,008,032	$ (4,662,619)	$ 155,345,413

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, 2006 and 2005 was $171,884 and $273,612, respectively. OMEGA JV5 had a receivable from AMP-Ohio of $179,050 at December 31, 2006 and a payable of $437,691 at December 31, 2005.
- 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, 2006 and 2005 amounted to $7,768,052 and $9,509,332, 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 $925,952 and $787,441 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV5 had payables to MESA of $67,180 and $66,272 at December 31, 2006 and 2005, 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 $648,000 and $786,659 for the years ended December 31, 2006 and 2005, 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 backup generating units sited in their communities provide utilities to the units. OMEGA JV5 incurred expenses of $88,520 and $92,067 for these services for the years ended December 31, 2006 and 2005, respectively.
- OMEGA JV5 had a receivable due from OMEGA JV1 in the amount of $2,974 from the sale of fuel and a payable due to OMEGA JV2 in the amount of $17,728 at December 31, 2005 for payment of charges related to OMEGA JV5.

5. Cash and Cash Equivalents

Deposits
Custodial risk is the risk that in the event of a bank failure, JV5's deposits may not be returned to it. JV5 does not have a custodial credit risk policy. JV5 has custodial credit risk on its cash and cash equivalent balances to the extent the balances exceed the federally insured limit of $100,000.

Credit Risk
OMEGA JV5 invests in instruments approved under the entity's investment policy. The board of participants has authorized JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services. At December 31, 2006 and 2005, JV5 had investments of $7,321,770 and $5,995,733, respectively, in a public funds money market account. In general, money market funds are not rated.

6. Restricted Assets

Restricted assets include those assets comprising the Debt Service Reserve, 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. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets in the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating expenses to the extent that other operating funds are not sufficient; (iii) to pay for major repairs and maintenance; and (iv) to provide for the decommissioning of the Project.

The aggregate amount of cash and investments in each of these funds at December 31 are as follows:

	2006	2005
Certificate Payment Fund	$ 7,394,950	$ 7,241,969
Reserve and Contingency Fund	3,008,688	2,866,651
	$ 10,403,638	$ 10,108,620

Restricted assets held at December 31 are as follows:

	2006	
	Cost	Market Value
United States Treasury obligations	$ 1,785	$ 1,785
Commercial Paper of entities with credit ratings of A1+ by Standard & Poor's	10,234,059	10,401,853
Total	$ 10,235,844	$ 10,403,638

	2005	
	Cost	Market Value
United States Treasury obligations	$ 10,005,923	$ 10,108,620
Total	$ 10,005,923	$ 10,108,620

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, 2006 and 2005 all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

7. Prepaid Bond Insurance

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

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid $1,264,718 on behalf of the Participants for municipal bond insurance. In consideration 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 2004 Certificates.

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

8. Beneficial Interest Certificates Issuance Costs

In connection with the issuance of the 2001 Certificates and the 2004 Certificates, OMEGA JV5 paid $692,981 and $1,333,796, 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. Beneficial Interest Certificates

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

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

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

The 2004 Certificates outstanding at December 31, 2006, are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
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 %
	108,720,000	
Less: Current portion	(4,285,000)	
Less: Unamortized premium	5,833,079	
Less: Unamortized cost from defeasance of beneficial interest certificates	(4,555,048)	
	$ 105,713,031	

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

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

In accordance with the trust agreement, amended on January 1, 2004, OMEGA JV5 is required to charge the Participants additional debt service (“Refunding Debt Service”) in the amount of 15% of principal and interest. On February 16 of each year from 2005 through 2024, amounts charged to the Participants for Refunding Debt Service for the previous twelve months shall be refunded to the Participants. OMEGA JV5 established a liability payable from restricted assets of $1,433,836 and $1,358,722 for amounts to be refunded to Participants at December 31, 2006 and 2005, respectively.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2006 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	(37,434,356)	
	$ 18,690,644	

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, with the original discount amount of $42,225,017, and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

Except for the limited step-up provisions in the event of default by a Participant as described in Section 18 of the Joint Venture Agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 Participants, payable from the revenues of their municipal electric 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.

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

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

Based upon unaudited financial information for the year 2006 or based upon audited financial information for years prior to 2006, ten Participants either were not in compliance or were not able to affirmatively certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement. Each of these Participants represented that it expects to be in compliance with the debt service coverage requirement in 2007 and beyond. Based on those representations, OMEGA JV5 took action in accordance with the Joint Venture Agreement to waive the noncompliance.

Debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2006 are as follows:

	Principal	Interest	Refunding Debt Service	Total
2007	$ 4,285,000	$ 4,836,825	$ 1,368,274	$ 10,490,099
2008	4,375,000	4,744,756	1,367,963	10,487,719
2009	4,475,000	4,639,600	1,367,190	10,481,790
2010	4,570,000	4,515,113	1,362,767	10,447,880
2011	4,705,000	4,370,106	1,361,266	10,436,372
2012-2030	142,435,000	30,694,125	17,550,619	190,679,744
	$ 164,845,000	$ 53,800,525	$ 24,378,079	$ 243,023,604

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

	December 31, 2006		December 31, 2005	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 18,690,644	$ 22,941,440	$ 17,698,471	$ 20,678,362
2004 Certificates	109,998,031	113,960,863	114,135,378	117,853,169

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

2006

	Beginning Balance	Additions	Reductions	Ending Balance
2001 Certificates	$ 56,125,000	$ -	$ -	$ 56,125,000
Less: Unamortized discount	(38,426,529)	-	992,173	(37,434,356)
	17,698,471	-	992,173	18,690,644
2004 Certificates	108,720,000	-	(4,285,000)	104,435,000
Less: Current maturities	4,125,000	4,285,000	(4,125,000)	4,285,000
Less: Unamortized premium	6,405,372	-	(572,293)	5,833,079
Less: Unamortized loss from refunding beneficial interest certificates	(5,114,994)	-	559,946	(4,555,048)
	114,135,378	4,285,000	(8,422,347)	109,998,031
Regulatory liabilities	30,580,021	-	(1,625,517)	28,954,504
Accrued license fees	99,433	81,924	(99,433)	81,924
Total	$ 162,513,303	$ 4,366,924	$ (9,155,124)	$ 157,725,103

2005

	Beginning Balance	Additions	Reductions	Ending Balance
2001 Certificates	$ 56,125,000	$ -	$ -	$ 56,125,000
Less: Unamortized discount	(39,366,070)	-	939,541	(38,426,529)
	16,758,930	-	939,541	17,698,471
2004 Certificates	112,845,000	-	(4,125,000)	108,720,000
Less: Current maturities	4,065,000	4,125,000	(4,065,000)	4,125,000
Less: Unamortized premium	7,059,166	-	(653,794)	6,405,372
Less: Unamortized loss from refunding beneficial interest certificates	(5,779,350)	-	664,356	(5,114,994)
	118,189,816	4,125,000	(8,179,438)	114,135,378
Regulatory liabilities	32,429,317	-	(1,849,296)	30,580,021
Accrued license fees	94,465	99,433	(94,465)	99,433
Total	$ 167,472,528	$ 4,224,433	$ (9,183,658)	$ 162,513,303

10. Regulatory Liabilities

Regulatory liabilities at December 31 are as follows:

	2006	2005
Regulatory liabilities		
Debt service billed to Participants for Certificates in excess of related expenses	$ 27,631,238	$ 29,398,793
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,323,266	1,181,228
Inventories billed to Participants	121,425	81,747
Total regulatory liabilities	29,075,929	30,661,768
Current portion	(121,425)	(81,747)
Noncurrent portion	$ 28,954,504	$ 30,580,021

11. 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.

12. Commitments and Contingencies

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

Most metropolitan and industrialized counties in Ohio have 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), Trumbull (Niles), and Wood (Bowling Green) Counties are non-attainment areas for ozone and for fine particulate matter, therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV5 backup generation facilities in these areas.

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

13. Subsequent Events

Subsequent to December 31, 2006, OMEGA JV5 received $188,673 in settlement of a claim for a disruption to operations of the electric plant from a coal barge collision that occurred in 2005. OMEGA JV5 recorded the amount as other income in 2006 in the statement of revenue, expenses, and changes in net assets and as an other receivable in the balance sheet as of December 31, 2006.

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

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") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV5's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV5's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV5's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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

Columbus, Ohio
April 18, 2007

Ohio Municipal Electric Generation Agency Joint Venture 6

Financial Statements
December 31, 2006 and 2005

Ohio Municipal Electric Generation Agency Joint Venture 6
Index
December 31, 2006 and 2005

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 6

In our opinion, the accompanying balance sheets and the related 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 6 ("OMEGA JV6") at December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV6'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. Those standards 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.

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.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 on our consideration of OMEGA JV6'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, 2006. 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

Columbus, Ohio
April 18, 2007

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") for the years ended December 31, 2006 and 2005. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV6 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV6's basic financial statements include the 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 JV6 as of the end of the year. The statement of revenues, expenses and changes in net assets reports 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 JV6 as of December 31:

Condensed Balance Sheets

	2006	2005	2004
Assets			
Electric plant, net of accumulated depreciation	$ 8,668,507	$ 8,984,666	$ 10,309,469
Regulatory assets	108,216	64,564	22,233
Restricted assets	55,400	52,574	-
Current assets	534,454	358,701	108,503
Total assets	$ 9,366,577	$ 9,460,505	$ 10,440,205
Net Assets and Liabilities			
Net assets	$ 8,789,825	$ 8,813,008	$ 9,899,408
Current liabilities	16,698	114,645	33,826
Asset retirement obligations	560,054	532,852	506,971
Total net assets and liabilities	$ 9,366,577	$ 9,460,505	$ 10,440,205

Total assets of $9,366,577 decreased $93,928 or 1.0% in 2006. Total assets of $9,460,505 decreased $979,700 or 9.4% in 2005.

Electric plant, net of accumulated depreciation at December 31, 2006 was $8,668,507. This is a decrease of $316,159 due to increase of accumulated depreciation.

Electric plant, net of accumulated depreciation at December 31, 2005 was $8,984,666. This is a decrease of $1,324,803. This reduction was due primarily due to an adjustment to the cost of assets of $1,008,738. The project was originally constructed by AMP-Ohio and sold to OMEGA JV6 for a purchase price of $10,000,000. Actual final construction costs were approximately $9,000,000. The project was originally financed by AMP-Ohio for $9,861,000. In accordance with the terms of the trust agreement, the unused amounts in the construction fund were transferred to the bond payment fund and will be used to pay debt service. Accumulated depreciation for electric plant at December 31, 2005 was $500,095, an increase of $316,065.

Regulatory assets at December 31, 2006 were $108,216, an increase of $43,652 over 2005. Regulatory assets at December 31, 2005 were $64,564, an increase of $42,331 over 2004. Regulatory assets consists of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense per Statement of Financial Accounting Standards No. 143.

Restricted assets of $55,400 at December 31, 2006 and $52,574 at December 31, 2005 consisted of marketable securities held in trust as part of a bond requirement for the financing participants of OMEGA JV6. These funds are available for use under covenants of the bond agreement, and upon repayment of the bonds, funds will revert back to the financing participants of OMEGA JV6.

Current assets as of December 31, 2006 were $534,454, an increase of $175,753. In 2006, cash increased $107,964 resulting primarily from a full year of operations for all four wind turbines, as two units were put on-line in the first quarter 2005. Receivables increased $61,043. Current assets as of December 31, 2005 were $358,701, an increase of $250,198. In 2005, cash increased $191,641 resulting primarily from a full year of operations for all four wind turbines, and receivables increased $69,228. All four wind turbines were operational during the fourth quarter of 2005, whereas during the fourth quarter of 2004 only two of the four were operational; the other two wind turbines were still under construction and went into commercial operation on December 15, 2004. Energy attributes (Green Tags) are sold quarterly under a contract through 2008. Income from this contract substantially covers operating expenses.

Prepaid insurance increased $6,746 in 2006. Insurance policies effective January 1, 2007 were prepaid in December 2006. Prepaid insurance decreased $10,671 in 2005. Insurance policies effective January 1, 2006 were not prepaid in December 2005, whereas in 2004 policies taking effect January 1, 2005 were prepaid in December 2004.

Net assets as of December 31, 2006 were $8,789,825, a decrease of $23,183. The primary reason for the reduction was minimal but included recognition of the net loss. Net assets as of December 31, 2005 were $8,813,008, a decrease of $1,086,400. The primary reason for this reduction was a true-up of the electric plant asset cost, which was a reduction of $1,008,738. The remaining reduction was minimal but included recognition of the net loss.

Current liabilities as of December 31, 2006 were $16,698, a decrease of $97,946 resulting from a payable to AMP-Ohio to refund bond proceeds not used in the construction of the wind turbines that took place in 2005 that was not applicable in 2006. Current liabilities as of December 31, 2005 were $114,645, an increase of $80,819 resulting from a payable to AMP-Ohio to refund bond proceeds not used in the construction of the wind turbines.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues	$ 460,301	$ 430,706	$ 198,825
Operating expenses	498,994	565,784	351,404
Operating loss	(38,693)	(135,078)	(152,579)
Nonoperating revenue			
Investment income	15,510	6,630	1,987
Change in net assets	$ (23,183)	$ (128,448)	$ (150,592)

Rates for electric services are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include in their rates any bond payments by OMEGA JV6's financing participants, which are made directly to AMP-Ohio.

Electric revenues in 2006 were $460,301, an increase of $29,595. The primary reason for the increase was due to increased generation in 2006. Operating expenses in 2006 were $498,994, a decrease of $66,790. This decrease was related to maintenance expense decreasing by $43,664 primarily as a result of expenses in 2005 relating to two additional units that were on-line. The remainder was due to a decrease in labor from 2005 due to a decrease in maintenance activities.

Electric revenues in 2005 were $430,706, an increase of $231,881. In 2005, two wind turbines were operational the entire year and two additional wind turbines came on line in 2005. This increased generation and improved wind conditions increased revenues. The rate for the green attributes sold was the same for 2006 and 2005.

Operating expenses in 2005 were $565,784, an increase of $214,380. This increase was related to depreciation expense increasing by $132,035 as a result of two wind turbines coming on line in 2005 and maintenance expense increasing by $77,165 primarily as a result of maintenance contracts being executed for the two wind turbines that came on-line in 2005.

Investment income in 2006 was $15,510, an increase of $8,880. Investment income of $12,684 was related to interest earned in 2006 on cash and cash equivalents. Interest income of $2,826 was earned in 2006 on funds held by trustee securities or a money market account.

Investment income in 2005 was $6,630, an increase of $4,643. Investment income of $5,181 was related to interest earned in 2005 on cash and cash equivalents. Interest income of $1,449 was earned in 2005 on funds held by trustee securities or a money market account.

In 2006, JV6 was awarded $ 3.5 million in Clean Renewable Energy Bonds (“CREBs”) funds by the Internal Revenue Service that will be used in expanding the output of the existing wind farm by installing one (1) additional wind turbine.

Ohio Municipal Electric Generation Agency Joint Venture 6
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Electric plant		
Electric plant	$ 9,484,761	$ 9,484,761
Accumulated depreciation	(816,254)	(500,095)
Total electric plant	8,668,507	8,984,666
Regulatory assets	108,216	64,564
Restricted assets—funds held by trustee	55,400	52,574
Current assets		
Cash and cash equivalents	299,838	191,874
Receivables	214,246	153,203
Prepaid expenses	20,370	13,624
Total current assets	534,454	358,701
Total assets	$ 9,366,577	$ 9,460,505
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 8,668,507	$ 8,984,666
Restricted net assets	55,400	52,574
Unrestricted	65,918	(224,232)
Total net assets	8,789,825	8,813,008
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	12,282	19,498
Payable to related parties	4,416	95,147
Total current liabilities	16,698	114,645
Noncurrent liabilities		
Asset retirement obligation	560,054	532,852
Total noncurrent liabilities	560,054	532,852
Total liabilities	576,752	647,497
Total net assets and liabilities	$ 9,366,577	$ 9,460,505

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

Ohio Municipal Electric Generation Agency Joint Venture 6
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2006 and 2005

	2006	2005
Operating Revenues		
Revenue from sale of energy attributes	$ 460,301	$ 430,706
Operating Expenses		
Related party services	63,141	87,646
Depreciation	316,159	316,065
Accretion of asset retirement obligation	27,202	25,881
Maintenance	75,047	118,711
Insurance	30,784	25,676
Professional services	16,641	17,725
Other operating expenses	13,672	16,411
Future recoverable costs	(43,652)	(42,331)
Total operating expenses	498,994	565,784
Operating loss	(38,693)	(135,078)
Nonoperating Revenues		
Investment income	15,510	6,630
Change in net assets	(23,183)	(128,448)
Net assets, beginning of year	8,813,008	9,899,408
Contributions from participants	-	50,786
Return of capital	-	(1,008,738)
Net assets, end of year	$ 8,789,825	$ 8,813,008

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

Ohio Municipal Electric Generation Agency Joint Venture 6
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Cash received from customers	$ 399,258	$ 361,478
Cash paid to related parties for personnel services	(63,676)	(93,860)
Cash payments to suppliers and related parties for goods and services	(240,302)	(80,819)
Net cash provided by operating activities	95,280	186,799
Cash flows from capital and related financing activities		
Contributions from participants	-	50,786
Net cash provided by capital and related financing activities	-	50,786
Cash flows from investing activities		
Deposit to trust fund	-	(50,786)
Purchases of investments	(776,695)	(227,608)
Proceeds from sale of investments	773,869	225,820
Investment income received	15,510	6,630
Net cash provided by (used in) investing activities	12,684	(45,944)
Net change in cash	107,964	191,641
Cash and cash equivalents, beginning of year	191,874	233
Cash and cash equivalents, end of year	$ 299,838	$ 191,874
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (38,693)	$ (135,078)
Depreciation	316,159	316,065
Accretion of asset retirement obligation	27,202	25,881
Future recoverable costs	(43,652)	(42,331)
Changes in assets and liabilities		
Receivables	(61,043)	(69,228)
Prepaid expenses	(6,746)	10,671
Accounts payable and accrued expenses	(7,216)	(1,516)
Payable to related parties	(90,731)	82,335
Net cash provided by operating activities	$ 95,280	$ 186,799
Supplemental disclosure of noncash capital and related financing activities		
Change in estimated cost of plant	$ -	$ 1,008,738

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

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") was organized by ten subdivisions of the State of Ohio (the "Participants") and commenced operations on December 15, 2003 ("Inception"), pursuant to a joint venture agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide low-polluting capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). In December 2003 and December 2004, OMEGA JV6 purchased 3.6 MW of electric plant generating units (the "Project") from AMP-Ohio for a total capacity of 7.2 MW. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV6 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by OMEGA JV6.

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 JV6 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

Cash and Cash Equivalents

For purposes of the statement 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 statement 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 lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that 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

OMEGA JV6 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount required to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets
OMEGA JV6 records regulatory assets (deferred expenses to be recovered in rates in future periods). 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.

Net Assets
All property constituting OMEGA JV6 is owned by the Participants as tenants in common in undivided shares, each being equal to that Participants' percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Bowling Green	4,100	56.94 %
Cuyahoga Falls	1,800	25.00
Napoleon	300	4.17
Wadsworth	250	3.47
Oberlin	250	3.47
Montpelier	100	1.39
Edgerton	100	1.39
Pioneer	100	1.39
Monroeville	100	1.39
Elmore	100	1.39
	7,200	100.00 %

Operating Revenue and Expenses
Electric revenue is recognized when earned as service is delivered. OMEGA JV6's rates for electric power are designed to cover annual operating costs, except depreciation. Rates are set annually by the Board of Participants.

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 JV6 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 5). Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

OMEGA JV6 also sells energy attributes associated with electricity generated by the Project. Revenue from the sale of energy attributes is recorded as energy is generated. Rates are determined by a contract which requires OMEGA JV6 to sell all energy attributes. The contract expires on December 31, 2008. During the years ended December 31, 2006 and 2005, all of OMEGA JV6's revenue was derived from the sale of energy attributes.

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 September 2006 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("FAS 157") Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial standards issued for fiscal years beginning after November 15, 2007. OMEGA JV6 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

3. Electric Plant and Equipment

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

	2006			
	Beginning Balance	**Additions**	**Change in Estimate**	**Ending Balance**
Electric plant	$ 9,484,761	$ -	$ -	$ 9,484,761
Less: Accumulated depreciation	(500,095)	(316,159)	-	(816,254)
Electric plant, net	$ 8,984,666	$ (316,159)	$ -	$ 8,668,507

	2005			
	Beginning Balance	**Additions**	**Change in Estimate**	**Ending Balance**
Electric plant	$ 10,493,499	$ -	$ (1,008,738)	$ 9,484,761
Less: Accumulated depreciation	(184,030)	(316,065)	-	(500,095)
Electric plant, net	$ 10,309,469	$ (316,065)	$ (1,008,738)	$ 8,984,666

During 2005, OMEGA JV6 recorded an adjustment to electric plant to reflect the final cost of the wind turbines as a result of a change in estimate (Note 5).

4. Related Party Transactions

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. In addition, AMP-Ohio is entitled to a fee associated with the sale of energy attributes. Such fees amounted to approximately $14,401 and $13,468 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV6 had a payable to AMP-Ohio for $0 and $90,196 at December 31, 2006 and 2005, respectively.

- As OMEGA JV6'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 $63,141 and $87,646 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV6 had a payable to MESA for $4,416 and $4,951 at December 31, 2006 and 2005, respectively.

5. Acquisition of the Project

Pursuant to the Agreement, OMEGA JV6 purchased the Project and assumed related contracts from AMP-Ohio. OMEGA JV6 financed the initial purchase with a one year note payable to AMP-Ohio from OMEGA JV6.

The Participants in OMEGA JV6 consist of financing and nonfinancing participants. On July 1, 2004, AMP-Ohio issued $9,861,000 OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004 ("OMEGA JV6 Bonds"), on behalf of the financing participants of OMEGA JV6. The net proceeds of the bond issue were contributed to OMEGA JV6. The nonfinancing participants in OMEGA JV6 contributed $139,000.

The OMEGA JV6 Bonds were not issued by OMEGA JV6 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV6 Bonds are not recorded in the financial statements of OMEGA JV6. The OMEGA JV6 Bonds outstanding at December 31, 2006, are as follows:

Maturity Date February 15 and August 15,	**Principal Amount**	**Interest Rate**
2007	$ 720,000	3.43 %
2008	746,000	3.43 %
2009	771,000	3.43 %
2010	798,000	3.43 %
2011	825,000	3.43 %
2012	854,000	3.43 %
2013	884,000	3.43 %
2014	914,000	3.43 %
2015	946,000	3.43 %
2016	843,000	3.43 %
	$ 8,301,000	

The maturity table assumes an interest rate of 3.43%, which is equal to the interest rate used to calculate the August 15, 2006 principal payment.

Principal and interest on the OMEGA JV6 Bonds is payable in $500,000 semi-annual installments on February 15 and August 15, beginning February 15, 2005. The OMEGA JV6 Bonds bear interest at an adjustable rate, which shall be established by reference to the Six-Month Municipal Market Data High Grade Index Rate (the "MMD Index Rate") plus 15 basis points. The adjustable rate will automatically be reset semi-annually, based on the MMD Index Rate as of two business days prior to the beginning of the next interest period. On August 15, 2019, the balance of the principal of the OMEGA JV6 Bonds, if not theretofore paid or provided for, shall become due and payable.

The OMEGA JV6 Bonds are payable solely from the basic and additional demand charges of the OMEGA JV6 financing participants. The OMEGA JV6 Bonds require compliance by the financing participants with the OMEGA JV6 Agreement, which requires that each financing participant maintain a debt service coverage ratio of 1.1 or greater.

Based on the audited financial information for the year 2005, one financing participant was not in compliance with the debt service coverage ratio requirement. The participant represented that it is in compliance with the debt service coverage requirement in 2006 and expects to be in compliance in 2007 and beyond. Based on these representations, OMEGA JV6 took action to waive the noncompliance.

The OMEGA JV6 Bonds are subject to optional redemption at any time, at the sole discretion of Participants of OMEGA JV6, at the price of par plus accrued interest.

At inception, OMEGA JV6 Participants contributed capital of $10,050,000 and acquired electric plant from AMP-Ohio at an estimated cost of $10,493,499, which includes $493,499 of cost related to the asset retirement obligation. The actual cost of electric plant was ultimately determined to be $9,484,761. Accordingly, OMEGA JV6 has recognized a return of capital to Participants of $1,008,738 to reflect the final actual cost of electric plant. In addition, contributed capital was increased for the funding of the Reserve and Contingency fund of $50,786 in accordance with the Agreement (Note 7).

6. Cash and Cash Equivalents

Deposits

Custodial risk is the risk that in the event of a bank failure, JV6's deposits may not be returned to it. JV6 does not have a custodial credit risk policy. JV6 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000.

Credit Risk

OMEGA JV6 invests in instruments allowed under the Ohio Revised Code, Chapter 135. At December 31, 2006 and 2005, JV6 had investments of $299,838 and $191,874, respectively, in a public funds money market account. In general, money market funds are not rated.

7. Restricted Assets

Restricted assets include those assets comprising the Reserve and Contingency Fund, which was established and maintained pursuant to the Agreement. The investments were held in obligations guaranteed by the United States government at December 31, 2005. The investments were held primarily in commercial paper of entities with credit ratings of A1+ by Standard & Poor’s at December 31, 2006. Investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

The Agreement requires OMEGA JV6 to maintain a minimum funding in a Reserve and Contingency Fund of $50,000. Under the terms of the trust agreement associated with the OMEGA JV6 Bonds, if the balance in the fund is less than the required minimum, then AMP-Ohio may direct OMEGA JV6 to increase billings to members such that the deficiency in the balance is funded within twelve months.

8. Asset Retirement Obligations

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

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

	2006		
	Beginning Balance	Accretion Expense	Ending Balance
Asset retirement obligation	$ 532,852	$ 27,202	$ 560,054

	2005		
	Beginning Balance	Accretion Expense	Ending Balance
Asset retirement obligation	$ 506,971	$ 25,881	$ 532,852

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

9. Risk Management

OMEGA JV6 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.

10. Future Lease Commitment

On November 14, 2002, AMP-Ohio entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of $1,000 per wind turbine unit. AMP-Ohio has assigned this lease to OMEGA JV6. Rent expense from this lease totaled $4,000 during each of the years ended December 31, 2006 and 2005.

11. Commitments and Contingencies

Environmental Matters

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

Bird and bat collisions with the turning blades of wind turbines have resulted in wildlife losses in some wind turbine locations. Informal bird and bat surveys conducted by local wildlife experts have not detected a collision problem. If it is concluded that there is a bird and bat collision problem, fines may be assessed against OMEGA JV6.

PRICEWATERHOUSECOOPERS

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

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 6

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV6's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV6's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV6's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

PRICEWATERHOUSECOOPERS

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

Columbus, Ohio
April 18, 2007

Mary Taylor, CPA
Auditor of State

OMEGA JOINT VENTURES 1,2,4,5,6 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
MAY 29, 2007

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