Municipal Energy Services Agency

Financial Statements
December 31, 2004 and 2003

Auditor of State
Betty Montgomery

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5, 6 and
Municipal Energy Services Agency
2600 Airport Dr.
Columbus, OH 43219

We have reviewed the Independent Auditor's Report of the Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2004 through December 31, 2004 (December 15, 2003 through December 31, 2004 for Venture 6). Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 4, 5, 6 and Municipal Energy Services Agency is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 20, 2005

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December 31, 2004 and 2003

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Report of Independent Auditors

Board of Participants
Municipal Energy Services Agency

In our opinion, the accompanying balance sheets and the statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Municipal Energy Services Agency ("MESA") at December 31, 2004 and 2003, 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 March 22, 2005 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, 2004. 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

March 22, 2005

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, 2004 and 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Balance Sheets

	2004	2003	2002
Assets			
Current assets	$ 2,137,694	$ 1,401,235	$ 1,020,734
Property, net of accumulated depreciation	72,553	66,866	14,393
Total assets	$ 2,210,247	$ 1,468,101	$ 1,035,127
Liabilities and Net Assets			
Current liabilities	$ 2,210,247	$ 1,468,101	$ 1,035,127
Net assets	-	-	-
Total liabilities and net assets	$ 2,210,247	$ 1,468,101	$ 1,035,127

Total assets increased $742,146 or 50.6% in 2004 due primarily to an increase in cash of $463,071, a decrease in receivables of $42,660, an increase in project costs of $184,594, an increase in prepaid expenses of $131,454 and the purchase of vehicles of $5,687 net of accumulated depreciation. Project costs increased as a result of an increase in long-term projects for member communities.

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

Current liabilities increased by $742,146 or 50.6% in 2004 due to decreased accrued salaries and related benefits of $50,032, increased accruals for compensated absences of $148,317, increased accounts payable and accrued expenses of $65,477 and an increase in billings in excess of costs and estimated earnings for projects constructed on behalf of members of $578,384.

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

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

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

	2004	2003	2002
Operating revenues	$ 8,231,712	$ 7,371,774	$ 6,445,951
Operating expenses	8,243,692	7,375,316	6,450,606
Operating loss	(11,980)	(3,542)	(4,655)
Nonoperating revenue			
Investment income	11,980	3,542	4,655
Change in net assets	$ -	$ -	$ -

Operating revenues increased $859,938 or 11.7% in 2004 and $925,823 or 14.4% in 2003 due primarily to higher salaries and benefits charged to related parties and project revenue increases as a result of an increase in project activity.

Operating expenses increased $868,376 or 11.8% in 2004 due primarily to increased staffing levels and increased salaries and related benefits. Direct project expenses increased as a result of increased project activity.

Operating expenses increased $924,710 or 14.3% in 2003 due primarily to increased staffing levels and increased salaries and related benefits. Medical insurance premiums increased 12% and dental insurance premiums increased 5% in 2003.

Municipal Energy Services Agency
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 991,031	$ 527,960
Receivables from participants	155,803	21,952
Receivables from related parties	667,969	844,480
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	184,594	-
Prepaid expenses	138,297	6,843
Total current assets	2,137,694	1,401,235
Property		
Vehicles	138,766	87,450
Accumulated depreciation	(66,213)	(20,584)
Total property	72,553	66,866
Total assets	$ 2,210,247	$ 1,468,101
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 72,553	$ 66,866
Unrestricted	(72,553)	(66,866)
Total net assets	-	-
Current liabilities		
Accrued salaries and related benefits	442,835	492,867
Compensated absences	1,106,128	957,811
Accounts payable and accrued expenses	82,900	17,423
Billings in excess of costs and estimated earnings for projects constructed on behalf of members	578,384	-
Total current liabilities	2,210,247	1,468,101
Total net assets and liabilities	$ 2,210,247	$ 1,468,101

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, 2004 and 2003

	2004	2003
Operating Revenues		
Services	$ 7,409,520	$ 6,970,916
Project revenue	822,192	400,858
Total operating revenues	8,231,712	7,371,774
Operating Expenses		
Salaries and related benefits	7,123,338	6,794,098
Depreciation	43,235	10,285
Professional fees	30,392	34,018
Direct project expenses	909,270	419,213
Insurance	81,877	69,675
Utilities	25,789	29,713
Other operating expenses	29,791	18,314
Total operating expenses	8,243,692	7,375,316
Operating loss	(11,980)	(3,542)
Nonoperating Revenues		
Investment income	11,980	3,542
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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from participants for services	$ 1,082,131	$ 551,678
Cash received from related parties for services	7,586,031	6,511,700
Cash payments to employees for services	(7,428,082)	(6,707,331)
Cash payments to suppliers and related parties for goods and services	(737,673)	(223,392)
Net cash provided by operating activities	502,407	132,655
Cash flows from capital and related financing activities		
Cash flow related to capital expenditures	(51,316)	(64,922)
Net cash used in capital and related financing activities	(51,316)	(64,922)
Cash flows from investing activities		
Investment income received	11,980	3,542
Net cash provided by investing activities	11,980	3,542
Net change in cash and cash equivalents	463,071	71,275
Cash and cash equivalents, beginning of year	527,960	456,685
Cash and cash equivalents, end of year	$ 991,031	$ 527,960
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (11,980)	$ (3,542)
Depreciation	45,629	12,449
Changes in assets and liabilities		
Receivables from participants	(133,851)	143,292
Receivables from related parties	176,511	(459,216)
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	(184,594)	7,528
Prepaid expenses	(131,454)	(830)
Accrued salaries and related benefits	(50,032)	211,763
Compensated absences	148,317	231,712
Billing in excess of costs and estimated earnings for projects constructed on behalf of members	578,384	-
Accounts payable and accrued expenses	65,477	(10,501)
Net cash provided by operating activities	$ 502,407	$ 132,655

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

1. Organization

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

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by MESA.

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

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows.

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

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

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 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 expenses incurred. Project expenses include direct labor, materials, and other costs related to the project's performance. 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 earnings in excess of billings from projects constructed on behalf of members represent unbilled services and reimbursable expenses associated with ongoing projects. Billings in excess of costs and earnings 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 as overhead.

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.

Reclassifications

Certain reclassifications have been made in the 2003 financial statements to conform to the 2004 presentation.

3. Property

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

	2004		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 87,450	$ 51,316	$ 138,766
Less: Accumulated depreciation	(20,584)	(45,629)	(66,213)
Vehicles, net	$ 66,866	$ 5,687	$ 72,553

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

4. Related Party Transactions

Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. As MESA's agent, AMP-Ohio enters into agreements with related entities to have MESA provide services. Revenues earned from these agreements for the years ended December 31 are as follows:

	2004	2003
AMP-Ohio	$ 5,447,746	$ 5,031,306
Ohio Municipal Electric Generation Agency Joint Venture 1	51,494	53,479
Ohio Municipal Electric Generation Agency Joint Venture 2	458,149	477,545
Ohio Municipal Electric Generation Agency Joint Venture 4	62,611	61,666
Ohio Municipal Electric Generation Agency Joint Venture 5	865,424	911,568
Ohio Municipal Electric Generation Agency Joint Venture 6	86,309	-
Ohio Municipal Electric Association	280,830	257,111
Ohio Public Power Educational Institute	156,957	178,241
AMP-Ohio Participants	822,192	400,858
Total	$ 8,231,712	$ 7,371,774

At December 31, 2004 and 2003, MESA had receivables from affiliates of $667,969 and $844,480, respectively. At December 31, 2004 and 2003, MESA had a receivable from members of AMP-Ohio of $155,803 and $21,952, respectively.

5. Cash and Cash Equivalents

At December 31, 2004 and 2003, the carrying amount of MESA's deposits with financial institutions was $991,031 and $527,960, respectively, and the bank balance was $991,031 and $527,960, respectively. At December 31, 2004 and 2003, $987,613 and $525,633, respectively, was invested in certain money market funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of MESA. Amounts in the operating cash deposits and investments with the bank in excess of $100,000 are not covered by federal depository insurance.

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

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

Cash and cash equivalents are categorized by risk as follows:

Risk Category	**2004**	**2003**
1	$ 3,418	$ 2,327
	$ 3,418	$ 2,327

6. Risk Management

MESA is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. In addition, MESA maintains an errors and omissions policy related to engineering services it performs.

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. 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 2004, 2003 and 2002 was 8.5%. The 2004, 2003 and 2002 employer contribution rate was 13.55% of covered payroll.

The employee contributions to OPERS totaled $464,032, $428,194 and $386,094 for the years ended December 31, 2004, 2003 and 2002, respectively. Employer contributions were $739,714, $682,583 and $615,480 for the years ended December 31, 2004, 2003 and 2002, 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 heath 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 the retirement system is considered an Other Post Employment Benefit ("OPEB") as described in GASB Statement No.12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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 2004 employer contribution rate was 13.55% of covered payroll; 4.0% 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 2004 employer contributions to OPERS totaled $739,714. Of this amount, $29,589 was used to fund health care contributions.

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

At December 31, 2003, the unaudited actuarial value of OPERS' net assets available for future OPEB payments was $10.5 billion. The number of active contributing participants at December 31, 2004 was 369,885. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 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, 2003.

Funding Method—An entry age normal 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.

Investment Return—The investment assumption rate for 2003 was 8.00%.

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 1% to 6% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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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, 2004, and have issued our report thereon dated March 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MESA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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 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

We also noted certain additional matters that we reported to management of MESA in a separate letter dated April 20, 2005.

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

March 22, 2005

Finding 04-1 Segregation of Duties – Reportable Condition
In performing our audit, we identified that certain individuals have access to the payroll system with the ability to process payroll and add and modify employee payroll standing data in both the payroll and time reporting system. We also identified that an individual establishes new project accounts, processes project billings, and also has system administrator access.

We recommend that MESA establish appropriate segregation of these various functions.

Management's Views and Corrective Action Plan
In 2005, the management of AMP-Ohio, in conjunction with the Finance and Audit Committee of the Board of Trustees, will undertake to further expand and document a plan of corporate governance and internal controls. Internal control and governance has been complicated by the complexity of Federal Energy Regulatory Commission's mandates and approvals regarding regional transmission organizations ("RTOs"), under which AMP-Ohio operates, namely PJM and MISO. These RTOs were integrated in the fall of 2004 and spring of 2005 respectively. The plan may involve incorporation of certain Sarbanes-Oxley - like principles of corporate governance and internal controls as determined appropriate. Development and implementation of the plan could involve the use of independent consultants qualified in such matters.

Ohio Municipal Electric Generation Agency Joint Venture 1

Financial Statements
December 31, 2004 and 2003

Ohio Municipal Electric Generation Agency Joint Venture 1
Index
December 31, 2004 and 2003

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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 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, 2004 and 2003, 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 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 March 22, 2005 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, 2004. 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

March 22, 2005

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, 2004 and 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

The following table summarizes the financial position of OMEGA JV1 as of December 31:

Condensed Balance Sheets

	2004	2003	2002
Assets			
Electric plant, net of accumulated depreciation	$ 283,419	$ 299,392	$ 293,109
Regulatory assets	246,814	178,109	-
Current assets	230,938	196,576	166,543
Total assets	$ 761,171	$ 674,077	$ 459,652
Net Assets and Liabilities			
Net assets	$ 463,386	$ 452,131	$ 446,461
Current liabilities	37,139	164,094	13,191
Noncurrent liabilities	260,646	57,852	-
Total net assets and liabilities	$ 761,171	$ 674,077	$ 459,652

Total assets of $761,171 increased $87,094 or 12.9% and $214,425 or 46.6% in 2004 and 2003, respectively. Electric plant cost of $479,178 remained the same, as there were no capital expenditures in 2004. In 2003, OMEGA JV1 adopted Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*, and recorded a regulatory asset of $141,381 for future recovery from participants of repair costs for damaged units. SFAS No. 143 required $33,949 to be added to gross electric assets, $11,693 to accumulated depreciation, and $32,930 as a regulatory asset at the date of adoption. The increase in regulatory assets in 2004 is primarily a result of additional costs associated with repairing the units damaged by lightning. Current assets increased $34,362 in 2004 with a majority resulting from an increase in accounts receivable of $15,477, prepaids of $10,719 and fuel inventory of $7,740.

Current liabilities of $37,139 decreased $126,955 or 77.4% in 2004. The primary factor relating to this decrease was a decrease of $141,381 in the accrual for the inspection and teardown of the three generators damaged in the lightning strike on August 27, 2003.

Non-current liabilities of $260,646 increased $202,794 or 350.5% in 2004. This increase related to a $200,000 long-term borrowing to cover the expenses relating to the repair of the three generators damaged on August 27, 2003.

During a severe thunderstorm on August 27, 2003, lightning struck a nearby pole causing a ground fault sufficient to damage three of the six generators of OMEGA JV1. These three units were repaired and fully functional in October 2004.

Net assets increased $11,255 or 2.5% and $5,670 or 1.3% in 2004 and 2003, respectively.

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

	2004	2003	2002
Operating revenues	$ 245,225	$ 185,737	$ 174,164
Operating expenses	237,064	181,237	149,339
Operating income	8,161	4,500	24,825
Nonoperating revenue			
Investment income	3,094	1,170	1,595
Change in net assets	$ 11,255	$ 5,670	$ 26,420

Operating revenues increased $59,488 or 32.0% in 2004 and $11,573 or 6.6% in 2003. OMEGA JV1's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expenses. Energy production significantly decreased in 2004 with a total of 122 megawatt hours produced in 2004 versus 486 megawatt hours produced in 2003. The decreased 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 revenues increased despite the reduction in energy production because of an increase in billings to participants to recover the cost of repairing the damaged units. Energy production in 2003 was nearly the same as in 2002 with a total of 486 megawatt hours produced in 2003 versus 518 megawatt hours produced in 2002.

Operating expenses increased $55,827 or 30.8% in 2004 and $31,898 or 21.4% in 2003, primarily due to increases in affiliated entity services, accretion and fuel. Accretion of the asset retirement obligation, the increase in depreciation expense for capitalized plant cost related to the asset retirement obligation and estimated repair expenses for the lightning strike have been capitalized as regulatory assets for future recovery from members. The OMEGA JV1 Board of Participants reviewed the estimated expenses for repairing the three generating units and approved the expenditure. In addition, the Board authorized a comprehensive evaluation of all six units for other major maintenance items that should be included with the generator repair.

Investment income consisted entirely of interest on cash accounts invested in overnight government backed securities held with a bank. Investment income increased $1,924 in 2004 due to an increased operating cash balance and a steadily increasing interest rate during 2004.

Ohio Municipal Electric Generation Agency Joint Venture 1
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Electric plant		
Electric generators	$ 444,178	$ 444,178
Fuel tank	35,000	35,000
Accumulated depreciation	(195,759)	(179,786)
Total electric plant	283,419	299,392
Regulatory assets	246,814	178,109
Current assets		
Cash and cash equivalents	163,648	163,222
Receivables from participants	17,588	13,803
Receivables from related parties	11,692	-
Fuel inventory	20,509	12,769
Prepaid expenses	17,501	6,782
Total current assets	230,938	196,576
Total assets	$ 761,171	$ 674,077
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 283,419	$ 299,392
Unrestricted	179,967	152,739
Total net assets	463,386	452,131
Current liabilities		
Accounts payable and accrued expenses	26,468	160,766
Payable to related parties	10,671	3,328
Total current liabilities	37,139	164,094
Noncurrent liabilities		
Asset retirement obligation	60,646	57,852
Note payable to related party	200,000	-
Total noncurrent liabilities	260,646	57,852
Commitments and contingencies		
Total liabilities	297,785	221,946
Total net assets and liabilities	$ 761,171	$ 674,077

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, 2004 and 2003

	2004	2003
Operating Revenues		
Electric revenue	$ 245,225	$ 185,737
Operating Expenses		
Related party services	51,494	53,479
Depreciation	15,973	15,973
Accretion expense	2,794	2,666
Fuel	7,544	35,118
Maintenance	190,598	182,837
Utilities	5,409	7,972
Insurance	17,956	16,821
Professional services	9,342	8,949
Interest expense	2,784	-
Other operating expenses	1,875	2,601
Future recoverable costs	(68,705)	(145,179)
Total operating expenses	237,064	181,237
Operating income	8,161	4,500
Nonoperating Revenues		
Investment income	3,094	1,170
Change in net assets	11,255	5,670
Net assets, beginning of year	452,131	446,461
Net assets, end of year	$ 463,386	$ 452,131

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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from participants	$ 241,440	$ 189,926
Cash paid to related parties for personnel services	(51,961)	(49,837)
Cash payments to suppliers and related parties for goods and services	(392,147)	(101,741)
Net cash (used in) provided by operating activities	(202,668)	38,348
Cash flows from investing activities		
Investment income	3,094	1,170
Net cash provided by investing activities	3,094	1,170
Cash flows from noncapital financing activities		
Proceeds from notes payable to related party	300,000	-
Payments of notes payable to related party	(100,000)	-
Net cash provided by noncapital financing activities	200,000	-
Net change in cash and cash equivalents	426	39,518
Cash and cash equivalents, beginning of year	163,222	123,704
Cash and cash equivalents, end of year	$ 163,648	$ 163,222
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 8,161	$ 4,500
Depreciation	15,973	15,973
Accretion expense	2,794	2,666
Future recoverable costs	(68,705)	(145,179)
Changes in assets and liabilities		
Receivables from participants	(3,785)	4,189
Receivables from related parties	(11,692)	3,368
Fuel inventory	(7,740)	1,319
Prepaid expenses	(10,719)	609
Accounts payable and accrued expenses	(134,298)	147,575
Payable to related parties	7,343	3,328
Net cash (used in) provided by operating activities	$ (202,668)	$ 38,348
Supplemental disclosure of noncash capital and related financing activities		
Addition to plant from asset retirement obligation	$ -	$ 33,949

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

1. Organization

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

2. Summary of Significant Accounting Policies

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

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

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows.

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

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

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

Asset Retirement Obligations
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 liability and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Net Assets
All property constituting OMEGA JV1 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

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

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

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

3. Electric Plant

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

	2004		
	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	(179,786)	(15,973)	(195,759)
Electric plant, net	$ 299,392	$ (15,973)	$ 283,419

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

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 $11,692 and $314 at December 31, 2004 and 2003, 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 $51,494 and $53,479 for the years ended December 31, 2004 and 2003, respectively. OMEGA JV1 had a payable to MESA for $3,176 and $3,642 at December 31, 2004 and 2003, 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 $5,409 and $7,972 for the years ended December 31, 2004 and 2003, 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 with AMP-Ohio that bears interest at AMP-Ohio's interest rate on its revolving credit loan up to 7% per annum. Principal and interest are payable at maturity on May 1, 2009. As of December 31, 2004, outstanding borrowings under this note were $200,000.
- As of December 31, 2004, OMEGA JV1 has a payable to OMEGA JV2 in the amount of $7,495 related to the purchase of fuel inventory.

5. Cash and Cash Equivalents

At December 31, 2004 and 2003, the carrying amount of OMEGA JV1's deposits with financial institutions was $163,648 and $163,222, respectively, and the bank balance was $163,648 and $163,222, respectively. At December 31, 2004 and 2003, $163,648 and $163,222, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV1.

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:

	2004			
	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ 57,852	$ -	$ 2,794	$ 60,646

	2003			
	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ -	$ 55,186	$ 2,666	$ 57,852

OMEGA JV1 determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. 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 State Auditor 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. On January 25, 2005, the Galion City Council adopted a fiscal recovery plan. The plan was submitted to the Commission on January 27, 2005. 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 are expected to become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Summit County, has been designated a nonattainment area for ozone and fine particulate matter, therefore, Summit County may restrict the hours of operations of 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, 2004, and have issued our report thereon dated March 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or error in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

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

March 22, 2005

Ohio Municipal Electric Generation Agency Joint Venture 2

Financial Statements

December 31, 2004 and 2003

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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 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, 2004 and 2003, 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 March 22, 2005 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, 2004. 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

March 22, 2005

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, 2004 and 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

The following table summarizes the financial position of OMEGA JV2 as of December 31:

Condensed Balance Sheets

	2004	2003	2002
Assets			
Electric Plant, net of accumulated depreciation	$ 46,318,184	$ 49,224,263	$ 51,088,303
Regulatory assets	477,961	354,099	-
Restricted assets	406,969	373,209	343,347
Current assets	1,484,032	1,035,282	1,042,304
Total assets	$ 48,687,146	$ 50,986,853	$ 52,473,954
Net Assets and Liabilities			
Net assets	$ 46,886,266	$ 49,340,339	$ 51,959,662
Current liabilities	202,552	151,537	399,255
Noncurrent liabilities	1,598,328	1,494,977	115,037
Total net assets and liabilities	$ 48,687,146	$ 50,986,853	$ 52,473,954

Total assets of $48,687,146 decreased $2,299,707 or 4.5% in 2004. The primary factors related to these decreases were increases in accumulated depreciation of $2,913,362, offset by an increase in regulatory assets of $123,862, an increase in restricted assets of $33,760, an increase in current assets of $448,750 and an increase in asset retirement obligation plant assets of $7,283. There were no capital expenditures for OMEGA JV2 during 2004.

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

Restricted assets consist solely of cash or cash equivalents held for future overhaul of the OMEGA JV2 generating units and may be used in the event of nonpayment of bond debt service by financing members. Restricted assets increased $33,760 or 9.0% in 2004. This increase is primarily due to additional revenues collected by Participants in the amount of $30,830 and interest income earned in the reserve and contingencies ("R&C") fund of $2,930.

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

Current assets increased $448,750 or 43.3% in 2004. The increase is due to an increase of operating cash and cash equivalents of $304,815, an increase in accounts receivable of $66,895, an increase in fuel inventory of $21,124, and an increase in prepaid expenses of $55,916. The increase in operating cash was largely attributable to actual 2004 operating expenses being below actual rates. This caused OMEGA JV2 to bill and collect cash in excess of the money expended for maintenance, insurance, professional services and other operating expenses. Fuel inventory increased due to higher costs remaining in the ending inventory. Diesel fuel prices rose from an average cost of $1.04 per gallon in 2003 to an average price of $1.41 per gallon in 2004 or a 35.6% increase. Prepaid expenses increased due to the timing of expiration and renewal of policies while accounts receivable increased as a result of a difference in the timing of billings and the collection of related cash receipts through normal operations.

Current assets decreased $7,022 or 0.7%, in 2003. There were no significant changes in individual current assets in 2003. This increase is primarily due to additional revenue being held for overhaul of the electric plant.

Current liabilities increased $51,015 or 33.7% in 2004 primarily as a result of increases in accounts payable and accrued expenses and the timing of payments made on outstanding amounts due to related parties.

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

Noncurrent liabilities increased $103,351 or 6.9%. The increase is primarily related to accretion of the asset retirement obligation in the amount of $65,238 and the recognition of deferred revenue in the amount of $30,830 during 2004.

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2004	2003	2002
Operating revenues	$ 2,329,762	$ 2,254,659	$ 2,298,425
Operating expenses	4,802,075	4,879,784	5,330,727
Operating loss	(2,472,313)	(2,625,125)	(3,032,302)
Nonoperating revenue			
Investment income	18,240	5,802	10,072
Change in net assets	$ (2,454,073)	$ (2,619,323)	$ (3,022,230)

Rates for electric service are set by OMEGA JV2's Board of Participants and are intended to cover operating expenses (excluding depreciation) and actual fuel costs. OMEGA JV2 does not include in their rates any bond repayments by OMEGA JV2 financing members that are made directly to AMP-Ohio. The change in net assets reflects a loss of $2,454,073 and $2,619,323 in 2004 and 2003, respectively. Operating expenses include depreciation expense of $2,913,362 and $2,919,260 in 2004 and 2003, respectively. Absent the depreciation expense, the change in net assets is $459,289 and $299,937 in 2004 and 2003 respectively.

Operating revenues increased $75,103 or 3.3% in 2004. The increase in operating revenues is attributable to the increase in energy production from the generating units. In 2004 the energy production was 4,515 megawatt hours compared to 3,291 megawatt hours in 2003.

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

Operating expenses decreased $77,709 or 1.6% in 2004. The decrease in operating expenses is primarily attributable to a decrease in the allocation of dispatch services for power purchases and a decrease in scheduled and unscheduled maintenance.

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

Investment income increased $12,438 or 214.4% in 2004 due to a significant increase in the operating cash balance and steady increases in the interest rates during 2004. The operating cash balance increased due to rates billed in excess of actual operating expenses and money was not expended as planned for maintenance and other operating costs during 2004.

Investment income decreased $4,270 or 42.4% in 2003. This was the result of a decrease in interest rates.

Ohio Municipal Electric Generation Agency Joint Venture 2
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Electric plant and equipment		
Electric generators	$ 58,053,886	$ 58,046,603
Vehicles	33,100	33,100
Accumulated depreciation	(11,768,802)	(8,855,440)
Total electric plant and equipment	46,318,184	49,224,263
Regulatory assets	477,961	354,099
Restricted assets		
Funds held by trustee	231,858	228,928
Overhaul fund	175,111	144,281
Total restricted assets	406,969	373,209
Current assets		
Cash and cash equivalents	918,203	613,388
Receivables from participants	251,081	191,681
Receivables from related parties	7,495	-
Inventory	146,268	125,144
Prepaid expenses	160,985	105,069
Total current assets	1,484,032	1,035,282
Total assets	$ 48,687,146	$ 50,986,853
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 46,318,184	$ 49,224,263
Restricted	406,969	373,209
Unrestricted	161,113	(257,133)
Total net assets	46,886,266	49,340,339
Current liabilities		
Accounts payable and accrued expenses	152,329	95,267
Payable to related parties	50,223	56,270
Total current liabilities	202,552	151,537
Noncurrent liabilities		
Regulatory liabilities	175,111	144,281
Asset retirement obligation	1,423,217	1,350,696
Total noncurrent liabilities	1,598,328	1,494,977
Commitments and contingencies		
Total liabilities	1,800,880	1,646,514
Total net assets and liabilities	$ 48,687,146	$ 50,986,853

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, 2004 and 2003

	2004	2003
Operating Revenues		
Electric revenue	$ 2,329,762	$ 2,254,659
Operating Expenses		
Related party services	613,671	708,047
Depreciation	2,913,362	2,919,260
Accretion expense	65,238	62,233
Fuel	406,333	318,835
Maintenance	494,759	508,365
Utilities	95,964	93,256
Insurance	201,346	238,779
Professional services	94,527	104,283
Other operating expenses	40,737	47,582
Future recoverable costs	(123,862)	(120,856)
Total operating expenses	4,802,075	4,879,784
Operating loss	(2,472,313)	(2,625,125)
Nonoperating Revenues		
Investment income	18,240	5,802
Change in net assets	(2,454,073)	(2,619,323)
Net assets, beginning of year	49,340,339	51,959,662
Net assets, end of year	$ 46,886,266	$ 49,340,339

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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from participants	$ 2,301,192	$ 2,303,978
Cash paid to related parties for personnel services	(452,070)	(679,787)
Cash payments to suppliers and related parties for goods and services	(1,528,787)	(1,583,916)
Net cash provided by operating activities	320,335	40,275
Cash flows from investing activities		
Deposit to overhaul fund	(30,830)	(29,244)
Purchases of investments	(690,009)	(455,513)
Proceeds from sale of investments	687,079	454,988
Investment income received	18,240	5,709
Net cash used in investing activities	(15,520)	(24,060)
Net change in cash and cash equivalents	304,815	16,215
Cash and cash equivalents, beginning of year	613,388	597,173
Cash and cash equivalents, end of year	$ 918,203	$ 613,388
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (2,472,313)	$ (2,625,125)
Depreciation	2,913,362	2,919,260
Accretion expense	65,238	62,233
Future recoverable costs	(123,862)	(120,856)
Increase in regulatory liabilities	30,830	29,244
Changes in assets and liabilities		
Receivables from participants	(59,400)	20,075
Receivables from related parties	(7,495)	-
Inventory	(21,124)	(14,099)
Prepaid expenses	(55,916)	17,261
Accounts payable and accrued expenses	57,062	(192,076)
Payable to related parties	(6,047)	(55,642)
Net cash provided by operating activities	$ 320,335	$ 40,275
Supplemental disclosure of noncash capital and related financing activities		
Addition to plant from asset retirement obligations	$ 7,283	$ 1,172,467

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

1. Organization

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

2. Summary of Significant Accounting Policies

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

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

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and highly liquid short-term investments with original maturities of three months or less. Restricted cash accounts, if any, are treated as investments in the statements of cash flows.

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

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

Investments
Investments of restricted assets are recorded at market 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	11.49
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Marys	4,000	2.98
Montpelier	4,000	2.98
Shelby	2,536	1.89
Versailles	1,660	1.24
Edgerton	1,460	1.09
Yellow Springs	1,408	1.05
Oberlin	1,217	0.91
Pioneer	1,158	0.86
Seville	1,066	0.80
Grafton	1,056	0.79
Brewster	1,000	0.75
Monroeville	764	0.57
Milan	737	0.55
Oak Harbor	737	0.55
Elmore	364	0.27
Jackson Center	300	0.22
Napoleon	264	0.20
Lodi	218	0.16
Genoa	199	0.15
Pemberville	197	0.15
Lucas	161	0.12
South Vienna	123	0.09
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.05
Arcanum	44	0.03
Custar	4	0.00
	134,081	100.01 %

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

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

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

3. Electric Plant and Equipment

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

	2004		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 58,046,603	$ 7,283	$ 58,053,886
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	58,079,703	7,283	58,086,986
Less: Accumulated depreciation	(8,855,440)	(2,913,362)	(11,768,802)
Electric plant and equipment, net	$ 49,224,263	$ (2,906,079)	$ 46,318,184

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

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 $155,522 and $230,502 for the years ended December 31, 2004 and 2003, respectively, and had a payable to AMP-Ohio for $15,884 and $28,010 at December 31, 2004 and 2003, respectively.
- As OMEGA JV2's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were $458,149 and $477,545 for the years ended December 31, 2004 and 2003, respectively, and had a payable to MESA for $34,339 and $28,260 at December 31, 2004 and 2003, respectively.
- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $95,964 and $93,256 for these services for the years ended December 31, 2004 and 2003, respectively.
- As of December 31, 2004, OMEGA JV2 has a receivable from OMEGA JV1 in the amount of $7,495 related to the purchase of fuel inventory.

5. Cash and Cash Equivalents and Restricted Assets

At December 31, 2004 and 2003, the carrying amount of OMEGA JV2's deposits with financial institutions was $1,325,172 and $986,597, respectively, and the bank balance was $1,325,172 and $986,597, respectively. At December 31, 2004 and 2003, $1,325,172 and $986,597, respectively, was invested in certain money market funds, including funds held as restricted assets which invest principally in obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV2.

6. Acquisition of the Project

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

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

7. Restricted Assets

Restricted assets include those assets comprising the Reserve and Contingency Fund and the Overhaul Fund, which are established and maintained pursuant to the Agreement. The investments were held in money market funds with a cost and market value of $406,969 and $373,209 at December 31, 2004 and 2003, respectively.

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

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

8. Asset Retirement Obligations

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

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

	2004			
	Beginning Balance	**Revisions to Estimate**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,350,696	$ 7,283	$ 65,238	$ 1,423,217

	2003			
	Beginning Balance	**Liabilities Incurred**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ -	$ 1,288,463	$ 62,233	$ 1,350,696

OMEGA JV2 determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit.

9. Risk Management

OMEGA JV2 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage.

10. 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 State Auditor 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. On January 25, 2005, the Galion City Council adopted a fiscal recovery plan. The plan was submitted to the Commission on January 27, 2005. 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.

In 2003, the St. Marys combustion turbine failed to meet its particulate matter standard while burning diesel fuel. The failure resulted in a notice of violation from the Ohio Environmental Protection Agency ("OEPA"). As a result, in 2004, OMEGA JV2 filed a modification with the OEPA to the operating permit for the turbine to only burn pipeline natural gas. The diesel fuel tank at St. Marys is now utilized as a bulk storage and transfer facility.

Most metropolitan and industrialized counties in Ohio are expected to become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, 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, these counties may restrict hours of operations of the Project.

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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, 2004, and have issued our report thereon dated March 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect OMEGA JV2's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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 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*.

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

March 22, 2005

Finding 04-1 Billing – Reportable Condition
Management should review control procedures surrounding the billing process with particular attention to controls over and reviews of inputs to the billing program, changes to the billing program, reconciliation of power purchased to power billed, and analyses of expected revenue for the entity.

Management's Views and Corrective Action Plan
In 2005, the management of AMP-Ohio, in conjunction with the Finance and Audit Committee of the Board of Trustees, will undertake to further expand and document a plan of corporate governance and internal controls. Internal control and governance has been complicated by the complexity of Federal Energy Regulatory Commission's mandates and approvals regarding regional transmission organizations ("RTOs"), under which AMP-Ohio operates, namely PJM and MISO. These RTOs were integrated in the fall of 2004 and spring of 2005 respectively. The plan may involve incorporation of certain Sarbanes-Oxley - like principles of corporate governance and internal controls as determined appropriate. Development and implementation of the plan could involve the use of independent consultants qualified in such matters.

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Ohio Municipal Electric Generation Agency Joint Venture 4

Financial Statements

December 31, 2004 and 2003

Ohio Municipal Electric Generation Agency Joint Venture 4
Index
December 31, 2004 and 2003

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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 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, 2004 and 2003, 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 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 March 22, 2005 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, 2004. 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

March 22, 2005

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, 2004 and 2003. 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 report revenues and expenses and the change in net assets for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.

Financial Highlights
The following table summarizes the financial position of OMEGA JV4 as of December 31:

Condensed Balance Sheets

	2004	2003	2002
Assets			
Transmission line, net of accumulated depreciation	$ 1,457,914	$ 1,532,113	$ 1,596,792
Current assets	1,180,753	859,108	679,441
Total assets	$ 2,638,667	$ 2,391,221	$ 2,276,233
Net Assets and Liabilities			
Net assets	$ 2,622,025	$ 2,374,200	$ 2,265,538
Current liabilities	16,642	17,021	10,695
Total net assets and liabilities	$ 2,638,667	$ 2,391,221	$ 2,276,233

Total assets increased $247,446 or 10.3% in 2004. This increase is a result of an increase in current assets of $321,645, partially offset by a decrease in electric plant of $74,199, primarily as a result of depreciation.

Total assets increased $114,988 or 5.1% in 2003. This increase is a result of an increase in current assets of $179,667, partially offset by a decrease in electric plant of $64,679, primarily as a result of depreciation.

Current assets increased $321,645 or 37.4% in 2004. Cash increased $355,950 primarily due to higher than budgeted revenues and lower than budgeted operations and maintenance expenses. Receivables decreased $46,818. Prepaid expenses increased by $12,513 due to an increase in insurance costs during 2004.

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

Net assets increased $247,825 or 10.4% in 2004 after distributions to participants totaling $368,021 during the year.

Net assets increased $108,662 or 4.8% in 2003 after distributions to participants totaling $361,306 during the year.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2004	2003	2002
Operating revenues	$ 784,428	$ 752,731	$ 743,490
Operating expenses	182,392	287,882	221,087
Operating income	602,036	464,849	522,403
Nonoperating revenues			
Investment income	13,810	5,119	5,481
Change in net assets	$ 615,846	$ 469,968	$ 527,884

Operating revenues increased $31,697 or 4.2% in 2004. Transmission revenue is the only source of revenue and is established according to contracts and operating budgets that are approved annually by the participants.

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

Operating expenses decreased $105,490 or 36.6% in 2004. The decrease is due primarily to the write-off of obsolete inventory in 2003.

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

Investment income increased $8,691 due to higher cash investments at higher interest rates in 2004.

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

Ohio Municipal Electric Generation Agency Joint Venture 4
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Utility plant		
Transmission line	$ 2,061,638	$ 2,061,638
Construction in process	-	4,760
Accumulated depreciation	(603,724)	(534,285)
Total utility plant	1,457,914	1,532,113
Current assets		
Cash and cash equivalents	1,083,245	727,295
Receivables	63,998	117,942
Receivable from related party	18,647	11,521
Prepaid expenses	14,863	2,350
Total current assets	1,180,753	859,108
Total assets	$ 2,638,667	$ 2,391,221
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 1,457,914	$ 1,532,113
Unrestricted	1,164,111	842,087
Total net assets	2,622,025	2,374,200
Current liabilities		
Accrued expenses	13,016	12,527
Payable to related party	3,626	4,494
Total current liabilities	16,642	17,021
Commitments and contingencies		
Total net assets and liabilities	$ 2,638,667	$ 2,391,221

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, 2004 and 2003

	2004	2003
Operating Revenues		
Transmission revenue	$ 784,428	$ 752,731
Operating Expenses		
Related party personnel services	62,611	57,042
Depreciation	69,439	69,439
Maintenance	10,676	130,957
Professional services	13,683	13,342
Other operating expenses	25,983	17,102
Total operating expenses	182,392	287,882
Operating income	602,036	464,849
Nonoperating Revenues		
Investment income	13,810	5,119
Income before distributions	615,846	469,968
Distributions to participants		
Bryan	(154,589)	(151,874)
Pioneer	(110,412)	(108,182)
Montpelier	(92,016)	(90,401)
Edgerton	(11,004)	(10,849)
Total distributions	(368,021)	(361,306)
Change in net assets	247,825	108,662
Net assets, beginning of year	2,374,200	2,265,538
Net assets, end of year	$ 2,622,025	$ 2,374,200

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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from participants and customers	$ 838,372	$ 715,241
Cash paid to related parties for personnel services	(63,479)	(52,548)
Cash paid to suppliers and related parties for goods and services	(64,732)	(33,092)
Net cash provided by operating activities	710,161	629,601
Cash flows from noncapital financing activities		
Distributions to participants	(368,021)	(361,306)
Net cash used in noncapital financing activities	(368,021)	(361,306)
Cash flows from capital and related financing activities		
Capital expenditures	-	(4,760)
Net cash used in capital and related financing activities	-	(4,760)
Cash flows from investing activities		
Investment income received	13,810	5,119
Net cash provided by investing activities	13,810	5,119
Net change in cash and cash equivalents	355,950	268,654
Cash and cash equivalents, beginning of year	727,295	458,641
Cash and cash equivalents, end of year	$ 1,083,245	$ 727,295
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 602,036	$ 464,849
Depreciation	69,439	69,439
Loss on disposal of assets	4,760	-
Changes in assets and liabilities		
Receivables	53,944	(37,490)
Receivable from related party	(7,126)	(3,814)
Supplies inventory	-	130,808
Prepaid expenses	(12,513)	(517)
Accrued expenses	489	1,832
Payable to related party	(868)	4,494
Net cash provided by operating activities	$ 710,161	$ 629,601

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 2004 and 2003 OMEGA JV4 derived a majority of its revenue from two customers.

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 carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations

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. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Supplies Inventory
During 2003, OMEGA JV4 evaluated its supplies inventory and determined that it was obsolete which resulted in recognition of an expense of $130,808 during the period.

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

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

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

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

New Accounting Standards
In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations.* This interpretation clarifies that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of FASB 143, *Accounting for Asset Retirement Obligations*. FIN 47 shall be effective no later than the end of the fiscal year ending after December 15, 2005. Accordingly, an entity would be required to recognize a liability for the fair value of an asset retirement obligation that is conditional on a future event if the liability's fair value can be estimated reasonably. The fair value of a liability for the conditional asset retirement obligation would be recognized when incurred. Uncertainty surrounding the timing and method of settlement that may be conditional on events occurring in the future would be factored into the measurement of the liability rather than the recognition of the liability. OMEGA JV4 has not yet determined the effect, if any, on the adoption of FIN 47 on its financial position or results of its operations.

Reclassifications
Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

3. Utility Plant

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

	2004			
	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Transmission line	$ 2,061,638	$ -	$ -	$ 2,061,638
Construction in process	4,760	-	(4,760)	-
Total utility plant	2,066,398	-	(4,760)	2,061,638
Less: Accumulated depreciation	(534,285)	(69,439)	-	(603,724)
Utility plant, net	$ 1,532,113	$ (69,439)	$ (4,760)	$ 1,457,914

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

4. Related Party Transactions

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV4 had receivables from AMP-Ohio of $18,647 and $11,521 at December 31, 2004 and 2003, 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 $62,611 and $57,042 for the years ended December 31, 2004 and 2003, respectively. OMEGA JV4 had a payable to MESA of $3,626 and $4,494 at December 31, 2004 and 2003, respectively.

5. Cash and Cash Equivalents

At December 31, 2004 and 2003, the carrying amount of OMEGA JV4's deposits with financial institutions was $1,083,245 and $727,295, respectively, and the bank balance was $1,083,245 and $727,295, respectively. At December 31, 2004 and 2003, $1,083,245 and $727,295, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV4.

The Board of Participants have designated $836,333 and $552,584 of cash and cash equivalents as an operations and maintenance reserve fund at December 31, 2004 and 2003, respectively.

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 2004 and 2003 was derived primarily from sales to two municipalities; 85% and 83%, respectively, from a nonparticipant and 15% and 17%, respectively, from a Participant. A decision by the nonparticipant to purchase transmission service from a different provider at the end of the current contract which expires October 31, 2005, would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found. As of December 31, 2004, this contract was renewed for one year and can be cancelled on October 31, 2006 only if written notice is given one year prior to cancellation.

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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, 2004, and have issued our report thereon dated March 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

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

March 22, 2005

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Ohio Municipal Electric Generation Agency Joint Venture 5

Financial Statements and Supplemental Information
December 31, 2004 and 2003

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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 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, 2004 and 2003, 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 5 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 March 22, 2005 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, 2004. 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

March 22, 2005

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, 2004 and 2003. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Balance Sheets

	2004	2003	2002
Assets			
Utility plant	$ 160,008,032	$ 164,682,404	$ 169,706,601
Restricted assets	9,961,510	18,517,723	18,792,028
Current assets	6,489,833	6,964,481	6,509,370
Other assets	4,573,958	4,940,204	5,349,064
Total assets	$ 181,033,333	$ 195,104,812	$ 200,357,063
Net Assets and Liabilities			
Net assets	$ 8,645,112	$ 7,893,574	$ 7,199,300
Net beneficial interest certificates	130,883,746	144,610,340	147,253,288
Liabilities payable from restricted assets	7,307,068	6,355,667	6,433,456
Current liabilities	1,768,090	1,379,956	2,183,761
Regulatory liabilities	32,429,317	34,865,275	37,287,258
Total net assets and liabilities	$ 181,033,333	$ 195,104,812	$ 200,357,063

Total assets of $181,033,333 decreased $14,071,479 or 7.2% in 2004. The primary factors related to this decrease were increases in accumulated depreciation of $4,674,372, a decrease in restricted assets (funds held by trustee) of $8,556,213, decreases in current assets of $474,648 and decreases in other assets of $366,246. There were no capital expenditures for OMEGA JV5 during 2004.

Total assets decreased $5,252,251 or 2.6% in 2003 due primarily to the increase in accumulated depreciation, which accounted for $4,678,447 of the change.

Utility plant decreased $5,024,197 or 3.0% in 2003, of which $4,678,447 was related to depreciation expense, $293,251 related to a refund from the Army Corp of Engineers and land sold to the State of Ohio at the original purchase price of $52,499 for preservation of natural resources.

Restricted assets consisted entirely of cash or cash equivalents required to be held by the trustee for debt service. Restricted assets decreased $8,556,213 or 46.2% in 2004. This decrease can be primarily attributed to the elimination of the debt service reserve fund of $10,953,803 offset by an increase in the reserve and contingency fund. On February 17, 2004 OMEGA JV5 refunded the outstanding 1993 Beneficial Interest Certificates in the amount of $131,355,000 with 2004 Beneficial Interest Refunding Certificates in the amount of $116,910,000. In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid $325,834 to Ambac Assurance Corporation for the purchase of financial guaranty insurance. As a result, OMEGA JV5 is no longer required to carry a debt service reserve fund balance.

Restricted assets decreased $274,305 or 1.5% in 2003 and can be attributed to lower investment returns on these assets. Cash is invested in short-term government agency notes.

Current assets decreased $474,648 or 6.8% in 2004. The decrease is due to a decrease in operating cash of $715,156, an increase in accounts receivable of $199,094, an increase in fuel inventory of $12,440, and an increase in prepaid expenses of $28,974. The decrease in operating cash was largely attributable to actual 2004 operating expenses being higher than rates. This caused OMEGA JV5 to bill and collect less cash than required for purchased power maintenance, and utilities expenses. Fuel inventory increased due to higher costs remaining in the ending inventory. Diesel fuel prices rose from an average cost of $0.98 per gallon in 2003 to an average price of $1.37 per gallon in 2004 or a 39.8% increase. Prepaid expenses increased due to the timing of expiration and renewal of policies while accounts receivable increased as a result of a difference in the timing of billings and the collection of related cash receipts through normal operations.

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

Other assets consist of a prepaid dedicated capacity contract in the amount of $1,015,236 that is being amortized through May 2009. Also in this category is $3,558,722 in prepaid bond insurance and issuance costs, relating to beneficial interest certificates. These costs are expensed over the life of the debt issues.

Total net assets and liabilities decreased $14,071,479 or 7.2% in 2004. The largest portion of the decrease can be attributed to the 2004 refunding arrangement that took place on February 17, 2004. The refunding replaced the 1993 Beneficial Interest Certificates totaling $131,355,000 with new 2004 Beneficial Interest Refunding Certificates totaling $116,910,000 for a total reduction of debt of $14,445,000.

Total net assets and liabilities decreased $5,252,251 or 2.6% in 2003 due primarily to repayments of debt of $3,445,000 and a decrease in deferred revenue of $2,420,360, partially offset by an increase in the unamortized discount on the certificates of beneficial interest of $977,052.

Net beneficial interest certificates, including amounts currently payable from restricted assets, decreased $13,726,594 in 2004. This decrease is explained by the 2004 refunding arrangement. The 2001 beneficial interest certificates recognized $889,622 in interest expense due to accretion.

Net beneficial interest certificates, including amounts currently payable from restricted assets, decreased $2,467,948 in 2003. The 1993 bond issue repaid $3,445,000 and $3,620,000 is payable on February 17, 2004. The 1993 bond issue recognized $134,602 in expense related to unamortized discount. The 2001 beneficial interest certificates recognized $842,450 in interest expense due to accretion.

Liabilities payable from restricted assets increased $951,401 in 2004. This can be attributed to an increase in the current portion of long-term debt of $445,000, and an increase in debt service collected to be reimbursed to members of $1,319,827, offset by a decrease in accrued interest expense of $813,426. The aforementioned changes can all be explained by the 2004 refunding arrangement.

Liabilities payable from restricted assets decreased $77,789 in 2003. These assets are cash and cash equivalents required by 1993 bond issue. All cash is invested in short-term government agency notes.

Current liabilities increased $388,134 or 28.1% in 2004 primarily as a result of increases in accounts payable and accrued expenses and the timing of payments made on outstanding amounts due to related parties.

Current liabilities decreased $803,805 in 2003. The decrease is primarily attributable to a decrease in accrued Federal Regulatory Commission Agency ("FERC") license fees of $1,083,250, offset by an increase in amounts payable for purchased power of $300,000. The cost of FERC licenses on the Project has been accrued each year since the Project went into operation. In 2003, OMEGA JV5 paid the accrued license fees.

Regulatory liabilities, noncurrent, decreased $2,435,958 in 2004 and $2,421,983 in 2003 to recognize amounts collected from participants for costs that are amortized in future periods for accounting purposes. Such costs primarily include depreciation taken over the life of the facility, Oberlin dedicated capacity and bond issuance costs.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2004	2003	2002
Operating revenues	$ 21,381,400	$ 22,578,605	$ 22,058,776
Operating expenses	20,775,490	22,030,224	21,652,439
Operating margin	605,910	548,381	406,337
Nonoperating revenue			
Investment income	145,628	179,892	465,649
Realized loss on market value of investments	-	-	(141,286)
Loss on sale of land	-	(33,999)	-
Total nonoperating revenue	145,628	145,893	324,363
Change in net assets	$ 751,538	$ 694,274	$ 730,700

Operating revenues decreased $1,197,205 or 5.3% in 2004. The decrease in operating revenues can be attributed to the decrease in energy production from 2003 to 2004. The total energy produced was 274,483 megawatt-hours in 2004 compared to 288,373 megawatt-hours in 2003. The decreased energy production is the result of variations in water levels in September 2004 due to flooding and a maintenance outage in October 2004.

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

Operating expenses decreased $1,254,734 or 5.7% in 2004. The decrease in operating expenses has a direct correlation to the decrease in operating revenues for the same time period. Nonoperating revenues remained relatively unchanged from 2003 to 2004.

Nonoperating revenues decreased $178,470 or 55% in 2003. This related to lower interest rates on trust funds of $(285,757), and loss on the sale of land to the state of Ohio of $(33,999). In 2002, the trust held long-term US Treasury securities (ten years) that had a recognized change in market value of $141,286 upon maturity.

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Utility plant		
Electric plant in service	$ 186,288,814	$ 186,288,814
Land	431,881	431,881
Accumulated depreciation	(26,712,663)	(22,038,291)
Total utility plant	160,008,032	164,682,404
Restricted assets—funds held by trustee	9,961,510	18,517,723
Current assets		
Cash and cash equivalents	5,149,378	5,864,534
Receivables from participants	996,752	797,658
Inventory	59,459	47,019
Prepaid expenses	284,244	255,270
Total current assets	6,489,833	6,964,481
Other assets		
Prepaid dedicated capacity	1,015,236	1,269,045
Prepaid bond insurance	1,760,239	1,840,832
Beneficial interest certificates' issuance costs	1,798,483	1,830,327
Total other assets	4,573,958	4,940,204
Total assets	$ 181,033,333	$ 195,104,812

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 25,059,286	$ 16,452,064
Restricted	6,719,442	15,782,056
Unrestricted	(23,133,616)	(24,340,546)
Total net assets	8,645,112	7,893,574
Beneficial interest certificates		
1993 beneficial interest certificates	-	131,355,000
Unamortized discount	-	(2,613,968)
	-	128,741,032
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(39,366,070)	(40,255,692)
	16,758,930	15,869,308
2004 beneficial interest refunding certificates	112,845,000	-
Unamortized premium	7,059,166	-
Unamortized cost from defeasance of 1993 beneficial interest certificates	(5,779,350)	-
	114,124,816	-
Net beneficial interest certificates, noncurrent	130,883,746	144,610,340
Liabilities payable from restricted assets		
Accrued interest	1,922,241	2,735,667
Debt service collected to be reimbursed to members	1,319,827	-
Beneficial interest certificates, current	4,065,000	3,620,000
Total liabilities payable from restricted assets	7,307,068	6,355,667
Current liabilities		
Accounts payable and accrued expenses	1,219,431	1,210,723
Payable to related parties	489,200	122,214
Regulatory liabilities—current	59,459	47,019
Total current liabilities	1,768,090	1,379,956
Regulatory liabilities	32,429,317	34,865,275
Commitments and contingencies		
Total liabilities	172,388,221	187,211,238
Total net assets and liabilities	$ 181,033,333	$ 195,104,812

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, 2004 and 2003

	2004	2003
Operating Revenues		
Electric revenue	$ 21,381,400	$ 22,578,605
Operating Expenses		
Purchased power	5,274,783	4,897,469
Related party services	1,160,062	1,224,703
Depreciation and amortization	5,313,470	5,087,307
Maintenance	480,488	305,674
Utilities	118,158	116,010
Insurance	421,413	486,575
Professional services	123,725	195,672
Payment in lieu of taxes	839,975	839,975
Other operating expenses	583,431	583,144
Interest expense	6,459,985	8,293,695
Total operating expenses	20,775,490	22,030,224
Operating income	605,910	548,381
Nonoperating Revenues		
Investment income	145,628	179,892
Loss on sale of land	-	(33,999)
Total nonoperating revenues	145,628	145,893
Change in net assets	751,538	694,274
Net assets, beginning of year	7,893,574	7,199,300
Net assets, end of year	$ 8,645,112	$ 7,893,574

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, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from participants	$ 18,758,788	$ 20,071,168
Cash paid to related parties for personnel services	(878,799)	(1,152,301)
Cash payments to suppliers and related parties for goods and services	(13,988,059)	(15,639,393)
Net cash provided by operating activities	3,891,930	3,279,474
Cash flows from capital and related financing activities		
Proceeds from sale of land	-	18,500
Settlement of contractor disputes	-	105,055
Payments on beneficial interest certificates	(3,620,000)	(3,445,000)
Payments on refunding beneficial interest certificates	(131,355,000)	-
Proceeds from issuance of beneficial interest refunding certificates	124,584,145	-
Payment for cost of issuance and refunding of beneficial interest certificates	(4,237,899)	-
Proceeds from debt service to be refunded to members	1,319,827	-
Proceeds from debt service reserve fund	10,966,000	-
Net cash used in capital and related financing activities	(2,342,927)	(3,321,445)
Cash flows from investing activities		
Purchases of investments	(97,403,855)	(93,307,346)
Proceeds from sale of investments	94,994,068	93,580,462
Investment income received	145,628	181,081
Net cash (used in) provided by investing activities	(2,264,159)	454,197
Net change in cash and cash equivalents	(715,156)	412,226
Cash and cash equivalents, beginning of year	5,864,534	5,452,308
Cash and cash equivalents, end of year	$ 5,149,378	$ 5,864,534
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 605,910	$ 548,381
Depreciation	4,674,372	4,678,447
Amortization of other assets	639,098	408,860
Amortization of discount and premium on beneficial interest certificates	1,074,308	977,052
Decrease in regulatory liabilities	(2,423,518)	(2,420,360)
Changes in assets and liabilities		
Receivables from participants	(199,094)	(87,077)
Inventory	(12,440)	(1,623)
Prepaid expenses	(28,974)	45,815
Accrued interest	(813,426)	(64,593)
Accounts payable and accrued expenses	8,708	(795,110)
Payable to related parties	366,986	(10,318)
Net cash provided by operating activities	$ 3,891,930	$ 3,279,474
Supplemental disclosure of noncash activities		
Reduction of construction retainage payable and utility plant	$ -	$ 188,196
Noncash cost from defeasance of beneficial interest certificates	5,243,000	-

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.

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

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

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

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

Asset Retirement Obligations
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
In accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, OMEGA JV5 records regulatory liabilities (deferred revenues for rates collected 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. 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 March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations*. This interpretation clarifies that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of FASB 143, *Accounting for Asset Retirement Obligations*. FIN 47 shall be effective no later than the end of the fiscal year ending after December 15, 2005. Accordingly, an entity would be required to recognize a liability for the fair value of an asset retirement obligation that is conditional on a future event if the liability's fair value can be estimated reasonably. The fair value of a liability for the conditional asset retirement obligation would be recognized when incurred. Uncertainty surrounding the timing and method of settlement that may be conditional on events occurring in the future would be factored into the measurement of the liability rather than the recognition of the liability. OMEGA JV5 has not yet determined the effect, if any, on the adoption of FIN 47 on its financial position or results of its operations.

Reclassifications
Certain reclassifications have been made in the 2003 financial statements to conform to the 2004 presentation.

3. Utility Plant

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

	2004			
	Beginning Balance	Additions	Retirements/ Adjustments	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	(22,038,291)	(4,674,372)	-	(26,712,663)
Utility plant, net	$ 164,682,404	$ (4,674,372)	$ -	$ 160,008,032

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

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

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, 2004 and 2003 was $294,638 and $311,925, respectively. OMEGA JV5 had payables to AMP-Ohio of $430,173 and $49,812 at December 31, 2004 and 2003, respectively.

- As OMEGA JV5's agent, AMP-Ohio purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2004 and 2003 amounted to $5,274,783 and $4,897,469, 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 $865,424 and $912,778 for the years ended December 31, 2004 and 2003, respectively. OMEGA JV5 had payables to MESA of $59,027 and $72,402 at December 31, 2004 and 2003, 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 $1,043,529 and $887,956 for the years ended December 31, 2004 and 2003, respectively.

- In 1993, OMEGA JV5 prepaid $3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts of its generating capacity as a backup resource to OMEGA JV5. The commitment is for dedicated capacity from June 1, 1996 through May 31, 2009. This asset is being amortized ratably over the term of the commitment.

- Participants with units sited in their communities provide utilities to the backup generating units. OMEGA JV5 incurred expenses of $97,182 and $96,956 for these services for the years ended December 31, 2004 and 2003, respectively.

5. Cash and Cash Equivalents

At December 31, 2004 and 2003, the carrying amount of OMEGA JV5's deposits with financial institutions was $5,149,378 and $5,864,534, respectively, and the bank balance was $5,165,482 and $5,864,534, respectively. The difference between deposits and the bank balance, if any, is due to deposits in transit and outstanding checks. At December 31, 2004 and 2003, $5,165,482 and $5,864,534, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV5.

6. Restricted Assets

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment, Construction Fund (consisting of the 2004 Costs of Issuance Account and the Series 2004 Redemption Account) and Reserve and Contingency Funds, which are established and maintained pursuant to the trust agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. Assets in the Debt Service Reserve Fund are for use to make up any deficiency in the amount of principal and interest currently due and, to the extent available, to make any portion of the final debt service payment amount due on February 15, 2030. 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:

	2004	2003
Debt Service Reserve Fund	$ -	$ 10,953,803
Certificate Payment Fund	7,181,900	6,500,620
Reserve and Contingency Fund	2,779,610	1,063,300
	$ 9,961,510	$ 18,517,723

Restricted assets held at December 31 are as follows:

	2004		2003	
	Cost	Market Value	Cost	Market Value
Money market funds and cash equivalents	$ 1,431	$ 1,431	$ 2,000	$ 2,000
United States Treasury obligations	9,915,489	9,960,079	18,502,783	18,515,723
Total	$ 9,916,920	$ 9,961,510	$ 18,504,783	$ 18,517,723

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, 2004 and 2003 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. Treasury obligations are intended to be held to maturity and mature on various dates through July 2005.

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 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, 2004, are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
2005	$ 4,065,000	2.00 %
2006	4,125,000	4.00 %
2007	4,285,000	2.00 %
2008	4,375,000	2.25 %
2009	4,475,000	2.50 %
2010	4,570,000	3.00 %
2011	4,705,000	3.25 %
2012	4,860,000	5.00 %
2013	5,105,000	5.00 %
2014	5,355,000	5.00 %
2015	5,630,000	5.00 %
2016	6,050,000	5.00 %
2017	6,215,000	5.00 %
2018	6,520,000	5.00 %
2019	6,845,000	5.00 %
2020	7,190,000	5.00 %
2021	7,550,000	5.00 %
2022	7,925,000	5.00 %
2023	8,325,000	5.00 %
2024	8,740,000	4.75 %
	116,910,000	
Less: Current portion	(4,065,000)	
Less: Unamortized premium	7,059,166	
Less: Unamortized cost from defeasance of beneficial interest certificates	(5,779,350)	
	$ 114,124,816	

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. At December 31, 2004, OMEGA JV5 established a liability payable from restricted assets of $1,319,827 for amounts to be refunded to Participants.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2004 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	(39,366,070)	
	$ 16,758,930	

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").

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

	Principal	Interest	Refunding Debt Service	Total
2005	$ 4,065,000	$ 5,097,497	$ 1,374,375	$ 10,536,872
2006	4,125,000	5,044,675	1,375,451	10,545,126
2007	4,285,000	4,879,675	1,374,701	10,539,376
2008	4,375,000	4,793,975	1,375,346	10,544,321
2009	4,475,000	4,695,538	1,375,581	10,546,119
2010-2030	151,710,000	41,871,536	20,618,480	214,200,016
	$ 173,035,000	$ 66,382,896	$ 27,493,934	$ 266,911,830

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

	December 31, 2004		December 31, 2003	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
1993 Certificates	$ -	$ -	$ 132,361,032	$ 136,873,620
2001 Certificates	16,758,930	18,378,094	15,869,308	17,197,537
2004 Certificates	118,189,816	123,673,949	-	-

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

	2004			
	Beginning Balance	Additions	Reductions	Ending Balance
1993 Certificates	$ 134,975,000	$ -	$ (134,975,000)	$ -
Less: Current maturities	(3,620,000)	-	3,620,000	-
Less: Unamortized discount	(2,613,968)		2,613,968	-
	128,741,032	-	(128,741,032)	-
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(40,255,692)	-	889,622	(39,366,070)
	15,869,308	-	889,622	16,758,930
2004 Certificates	-	116,910,000	(4,065,000)	112,845,000
Less: Current maturities	-	4,065,000	-	4,065,000
Less: Unamortized premium	-	7,674,145	(614,979)	7,059,166
Less: Unamortized loss from refunding beneficial interest certificates	-	(6,556,550)	777,200	(5,779,350)
	-	122,092,595	(3,902,779)	118,189,816
Regulatory liabilities	34,865,275	-	(2,435,958)	32,429,317
Total	$ 179,475,615	$ 122,092,595	$ (134,190,147)	$ 167,378,063

	2003			
	Beginning Balance	Additions	Reductions	Ending Balance
Series 1993 Certificates	$ 138,420,000	$ -	$ (3,445,000)	$ 134,975,000
Less: Current maturities	(3,445,000)	(3,620,000)	3,445,000	(3,620,000)
Less: Unamortized discount	(2,748,570)		134,602	(2,613,968)
	132,226,430	(3,620,000)	134,602	128,741,032
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(41,098,142)	-	842,450	(40,255,692)
	15,026,858	-	842,450	15,869,308
Regulatory liabilities	37,287,258	-	(2,421,983)	34,865,275
Total	$ 184,540,546	$ (3,620,000)	$ (1,444,931)	$ 179,475,615

10. Regulatory Liabilities

Regulatory liabilities at December 31 are as follows:

	2004	2003
Regulatory liabilities		
Debt service billed to Participants for Certificates in excess of related expenses	$ 31,335,130	$ 33,801,975
Debt service billed to Participants for funding the Reserve and Contingency Fund	1,094,187	1,063,300
Inventories billed to Participants	59,459	47,019
Total regulatory liabilities	32,488,776	34,912,294
Current portion	(59,459)	(47,019)
Noncurrent portion	$ 32,429,317	$ 34,865,275

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 are expected to become non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter. In addition to emissions reductions required to achieve compliance in down-wind, neighboring states. Medina (Wadsworth), Trumbull (Niles), and Wood (Bowling Green) Counties are non-attainment areas for ozone and for fine particulate matter, therefore, these counties may restrict the hours of operations for the OMEGA JV5 backup generation facilities.

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.

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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, 2004, and have issued our report thereon dated March 22, 2005. 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 audits, we considered OMEGA JV5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect OMEGA JV5's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 04-1 to be a material weakness.

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*.

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

March 22, 2005

Finding 04-1 Billing – Material Weakness
OMEGA JV5 recorded an audit adjustment to revenue of approximately $460,000 as a result of errors in purchased power allocations and recording of duplicate revenue related to certain demand and energy charges.

Management should review control procedures surrounding the billing process with particular attention to controls over and reviews of inputs to the billing program, changes to the billing program, reconciliation of power purchased to power billed, and analyses of expected revenue for the entity.

Management's Views and Corrective Action Plan
In 2005, the management of AMP-Ohio, in conjunction with the Finance and Audit Committee of the Board of Trustees, will undertake to further expand and document a plan of corporate governance and internal controls. Internal control and governance has been complicated by the complexity of Federal Energy Regulatory Commission's mandates and approvals regarding regional transmission organizations ("RTOs"), under which AMP-Ohio operates, namely PJM and MISO. These RTOs were integrated in the fall of 2004 and spring of 2005 respectively. The plan may involve incorporation of certain Sarbanes-Oxley - like principles of corporate governance and internal controls as determined appropriate. Development and implementation of the plan could involve the use of independent consultants qualified in such matters.

Supplemental Information

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Report of Independent Auditors on Supplemental Financial Data

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

Our report on the audits of the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") at December 31, 2004 and 2003 and for the years then ended, appears on page 1. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Supplemental Schedule of Receipts and Disbursements of the 1993 Beneficial Interest Certificates and the 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts for the year ended December 31, 2004 is presented for the purposes of additional analysis pursuant to Section 6.10 of the trust agreement relating to the financing of the Belleville Hydroelectric Project between US Bank, Cincinnati, N.A., as trustee, and OMEGA JV5 dated June 1, 1993 and is not a required part of the general-purpose financial statements. We have been informed by management that the trustee holds the fund account assets and executes investment transactions. With respect to investment transactions, we have not audited the books and records of the trustee in connection with the auditing procedures applied in the audit of the general-purpose financial statements. The information in the Schedule, except for that related to investment transactions executed by the trustee, on which we express no opinion, has been subjected to the auditing procedures, applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the use of the Board of Participants of OMEGA JV5 and US Bank, Cincinnati, N.A., trustee.

PricewaterhouseCoopers LLP

March 22, 2005

Ohio Municipal Electric Generation Agency Joint Venture 5

Schedule of Receipts and Disbursements of the 1993 Beneficial Interest Certificates and the 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts

Year Ended December 31, 2004

		Funds Held by Trustee				
				Construction Fund		
	Total	Certificate Payment Fund	Debt Service Reserve Fund	2004 Costs of Issuance Account	Series 2004 Redemption Account	Reserve and Contingency Fund
Fund balances at December 31, 2003	$ 18,517,723	$ 6,500,620	$ 10,953,803	$ -	$ -	$ 1,063,300
Receipts						
Bond proceeds	122,269,295	-	-	-	122,269,295	-
Interest on investments	68,784	29,776	20,139	11	-	18,858
Debt service receipts	10,506,712	10,506,712	-	-	-	-
Other receipts	1,685,424	-	-	-	-	1,685,424
Total receipts	134,530,215	10,536,488	20,139	11	122,269,295	1,704,282
Disbursements						
Bond payment	142,510,119	142,510,119	-	-	-	-
Draws	609,498	-	-	609,498	-	-
Total disbursements	143,119,617	142,510,119	-	609,498	-	-
Transfers						
Transfers	-	132,626,495	(10,966,687)	609,487	(122,269,295)	-
Mark to market of investments	33,189	28,416	(7,255)	-	-	12,028
Excess of (disbursements) receipts	(8,556,213)	681,280	(10,953,803)	-	-	1,716,310
Fund balances at December 31, 2004	$ 9,961,510	$ 7,181,900	$ -	$ -	$ -	$ 2,779,610

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Ohio Municipal Electric Generation Agency Joint Venture 6

Financial Statements

December 15, 2003 (Inception) to December 31, 2004

Ohio Municipal Electric Generation Agency Joint Venture 6
Index
December 15, 2003 (Inception) to December 31, 2004

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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 sheet and the statement of revenues, expenses and changes in net assets and of cash flows presents fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") at December 31, 2004, and the changes in its financial position and its cash flows for the period from December 15, 2003 (date of inception) to December 31, 2004 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 audit. We conducted our audit 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 audit provides 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 March 22, 2005 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, 2004. 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

March 22, 2005

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 period from December 15, 2003 (date of inception) through December 31, 2004. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV6 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 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 for the current period. 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, 2004:

Condensed Balance Sheets

Assets	
Electric Plant, net of accumulated depreciation	$ 10,309,469
Regulatory assets	22,233
Current assets	108,503
Total assets	$ 10,440,205
Net Assets and Liabilities	
Net assets	$ 9,899,408
Current liabilities	33,826
Asset retirement obligations	506,971
Total net assets and liabilities	$ 10,440,205

Electric plant consists of four (4) wind turbine units totaling $10,000,000, accumulated depreciation of $184,030, and $493,499 recorded as an additional cost of the plant as a result of recording an asset retirement obligation.

Current assets of $108,503 consist of cash, accounts receivables and prepaid expenses.

Current liabilities of $33,826 are a primary result of accounts payable and accrued expenses.

Asset retirement obligations represents the estimated fair value of legal obligations associated with the retirement or removal of long-lived assets.

The following table summarizes the changes in revenues, expenses and changes in net assets of OMEGA JV6 for the period from December 15, 2003 (Inception) to December 31, 2004:

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	$	198,825
Operating expenses		351,404
Operating loss		(152,579)
Nonoperating revenue		
Investment income		1,987
Change in net assets	$	(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 repayments by OMEGA JV6's financing members, which are made directly to AMP-Ohio.

Operating revenues of $198,825 consist of quarterly payments of energy attributes that are collected when energy is generated. Rates are determined by a contract, which requires JV6 to sell all energy attributes and which expires on December 31, 2008.

Operating expenses of $351,404 primarily consist of related party services, depreciation, professional services and maintenance in 2004. Maintenance expenses consist of quarterly maintenance fees on the wind turbine units. The four (4) wind turbine units will be depreciated over their estimated useful lives of 30 years.

Ohio Municipal Electric Generation Agency Joint Venture 6
Balance Sheet
December 31, 2004

Assets	
Electric plant	
Electric plant	$ 10,493,499
Accumulated depreciation	(184,030)
Total electric plant	10,309,469
Regulatory assets	22,233
Current assets	
Cash and cash equivalents	233
Receivables	83,975
Prepaid expenses	24,295
Total current assets	108,503
Total assets	$ 10,440,205
Net Assets and Liabilities	
Net assets	
Invested in capital assets, net of related debt	$ 10,309,469
Unrestricted	(410,061)
Total net assets	9,899,408
Current liabilities	
Accounts payable and accrued expenses	21,014
Payable to related parties	12,812
Total current liabilities	33,826
Asset retirement obligation	506,971
Commitments and contingencies	
Total liabilities	540,797
Total net assets and liabilities	$ 10,440,205

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

Ohio Municipal Electric Generation Agency Joint Venture 6
Statement of Revenues, Expenses and Changes in Net Assets
Period From December 15, 2003 (Inception) to December 31, 2004

Operating Revenues	
Revenue from sale of energy attributes	$ 198,825
Operating Expenses	
Related party services	86,309
Depreciation	184,030
Accretion expense	13,472
Maintenance	41,546
Insurance	8,866
Professional services	30,803
Other operating expenses	8,611
Future recoverable costs	(22,233)
Total operating expenses	351,404
Operating loss	(152,579)
Nonoperating Revenues	
Investment income	1,987
Change in net assets	(150,592)
Net assets, beginning of year	-
Contributions from participants	10,050,000
Net assets, end of year	$ 9,899,408

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

Ohio Municipal Electric Generation Agency Joint Venture 6
Statement of Cash Flows
Period From December 15, 2003 (Inception) to December 31, 2004

Cash flows from operating activities	
Cash received from participants and customers	$ 114,850
Cash paid to related parties for personnel services	(75,144)
Cash payments to suppliers and related parties for goods and services	(91,460)
Net cash used in operating activities	(51,754)
Cash flows from capital and related financing activities	
Capital expenditures	(5,173,000)
Payments of notes payable to related parties	(4,827,000)
Contributions from participants	10,050,000
Net cash provided by capital and related financing activities	50,000
Cash flows from investing activities	
Investment income received	1,987
Net cash provided by investing activities	1,987
Net change in cash and cash equivalents	233
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ 233
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (152,579)
Depreciation	184,030
Accretion expense	13,472
Future recoverable costs	(22,233)
Changes in assets and liabilities	
Receivables	(83,975)
Prepaid expenses	(24,295)
Accounts payable and accrued expenses	21,014
Payable to related parties	12,812
Net cash used in operating activities	$ (51,754)
Supplemental disclosure of noncash capital and related financing activities	
Capital expenditures purchased with a note payable to a related party	$ 4,827,000
Addition to plant from asset retirement obligations	493,499

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.

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 carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Asset Retirement Obligations
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 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 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 6). 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, which expires on December 31, 2008.

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.

3. Electric Plant and Equipment

Electric plant and equipment activity for the period ended December 31, 2004 is as follows:

	Beginning Balance	Additions	Ending Balance
Electric plant	$ -	$ 10,493,499	$ 10,493,499
Less: Accumulated depreciation	-	(184,030)	(184,030)
Electric plant, net	$ -	$ 10,309,469	$ 10,309,469

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 $8,000 for the period from December 15, 2003 to December 31, 2004. OMEGA JV6 had a payable to AMP-Ohio for $1,647 at December 31, 2004.
- 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 $86,309 for the period ended December 31, 2004, and OMEGA JV6 had a payable to MESA for $11,165 at December 31, 2004.

5. Cash and Cash Equivalents

At December 31, 2004, the carrying amount of OMEGA JV6's deposits with financial institutions was $233, and the bank balance was $233. At December 31, 2004, $233 was invested in certain money market funds which invest principally in obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV6.

6. Acquisition of the Project

Pursuant to the Agreement, OMEGA JV6 purchased the Project and assumed related contracts from AMP-Ohio for a total purchase price of $10,000,000. 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 OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004 ("OMEGA JV6 Bonds") for $9,861,000, 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.

In accordance with the Agreement, OMEGA JV6 is required 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 dated July 1, 2004, 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.

7. 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 period ended December 31, 2004 is as follows:

	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ -	$ 493,499	$ 13,472	$ 506,971

OMEGA JV6 determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. 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.

8. 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.

9. 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. During the period from December 15, 2003 to December 31, 2004, rent expense from this lease totaled $4,000.

10. 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.

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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 December 31, 2004 and for the period from December 15, 2003 (date of inception) to December 31, 2004, and have issued our report thereon dated March 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or error in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 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*.

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

March 22, 2005

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Betty Montgomery

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OMEGA JV 1,2,4,5,6 & MUNICIPAL ENERGY SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 2, 2005