MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by Virchow, Krause & Company, LLP for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 16, 2008

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MUNICIPAL ENERGY SERVICES AGENCY

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Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency

We have audited the accompanying financial statements of West Municipal Energy Services Agency ("MESA") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of MESA management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Municipal Energy Services Agency ("MESA") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MESA as of December 31, 2007 and changes in its financial opinion and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 are not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

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, 2007 and 2006. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statement of Net Assets

	2007	2006	2005
Assets			
Current assets	$ 2,422,606	$ 2,800,531	$ 3,996,195
Property, net of accumulated depreciation	86,051	71,271	66,914
Total assets	$ 2,508,657	$ 2,871,802	$ 4,063,109
Liabilities and Net Assets			
Current liabilities	$ 1,365,837	$ 1,925,755	$ 3,259,836
Noncurrent liabilities	1,142,820	946,047	803,273
Net assets - Invested in capital assets	86,051	71,271	66,914
Net assets - Unrestricted	(86,051)	(71,271)	(66,914)
Total liabilities and net assets	$ 2,508,657	$ 2,871,802	$ 4,063,109

Total assets of $2,508,657 decreased $363,145 or 12.6% in 2007 from 2006. This compares to a decrease of total assets of $1,191,307 or 29.3% in 2006 compared to 2005.

Current assets as of December 31, 2007 were $2,422,606. This was a decrease in 2007 of $377,925 or 13.5% compared to 2006. In 2007, cash decreased $514,048. Accounts receivable increased $92,970 or 12.1% in comparison to 2006. Projects in progress on behalf of members not yet invoiced decreased $40,813. Prepaid insurance increased $83,966 primarily as a result of timing of payments. The January 2008 health insurance premiums were paid in December 2007, while the January 2007 health insurance premiums were paid in January 2007. Current assets as of December 31, 2006 were $2,800,531, which represented a decrease in 2006 of $1,195,664 or 29.9% compared to 2005. In 2006, cash increased $311,881. Accounts receivable decreased $1,106,901, due primarily to a decrease of $1,196,076 related to projects that were completed for members. Projects in progress on behalf of members not yet invoiced decreased $334,887 in 2006. Prepaid insurance decreased $65,757 primarily as a result of timing of payments. The January 2006 health insurance premiums were paid in December 2005.

Property, net of accumulated depreciation, at December 31, 2007 was $86,051. This was an increase of $14,780 or 20.7% in 2007 compared to 2006. MESA's property consists entirely of vehicles, the cost of which at the end of 2007 was $317,594. This was an increase of $69,829 in 2007 compared to 2006.

Accumulated depreciation in 2007 increased $55,049 compared to 2006. Property, net of accumulated depreciation increased $4,357 or 6.5% in 2006 compared to 2005 due to the purchase of vehicles net of accumulated depreciation. All vehicles are depreciated over a three year life.

Current liabilities as of December 31, 2007 were $1,365,837. This was a decrease of $559,918 or 29.1% in 2007 compared to 2006. Current liabilities decreased by $1,334,081 or 40.9% in 2006. The decrease in 2006 was due primarily to a decrease in accounts payable of $1,737,853 relating to purchasing materials for projects constructed on behalf of members. This was offset by an increase in accrued salaries and benefits of $141,274, an increase in compensated absences of $168,704, and an increase in payables to related parties of $236,568.

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

	2007	2006	2005
Operating revenues	$ 12,401,690	$ 12,667,892	$ 19,799,064
Operating expenses	12,436,387	12,696,055	19,829,309
Operating loss	(34,697)	(28,163)	(30,245)
Nonoperating revenue			
Investment income	34,697	28,163	30,245
Change in net assets	$ -	$ -	$ -

Operating revenues in 2007 were $12,401,690, which was a decrease of $266,202 or 2.1%. MESA has primarily two sources of revenues, projects for members and providing personnel services to related parties. The $266,202 decrease in revenues for 2007 was due to a decrease in revenue from projects being engineered, managed or constructed on-behalf of members totaling $1,510,756. Offset against the Project Revenue decrease, revenue from Personnel services to related parties increased $1,244,554 in 2007. Operating revenues in 2006 were $12,667,892, which was a decrease of $7,131,172 or 36.0%. The $7,131,172 decrease in revenues for 2006 was due primarily to a decrease in revenue from projects being engineered, managed or constructed on-behalf of members totaling $8,007,279. Personnel services to related parties increased $876,107 in 2006.

Operating expenses in 2007 were $12,436,387, which was a decrease of $259,668 or 2.0%. The decrease of $259,668 in 2007 was primarily related to a decrease in expenses related to projects on- behalf of members which decreased $1,461,322, while MESA's payroll and related benefits increased $1,262,405 in 2007. Operating expenses in 2006 were $12,696,055, which was a decrease of $7,133,254 or 36.0%. The decrease of $7,133,254 in 2006 was primarily related to a decrease in expenses related to projects on-behalf of members which decreased $8,089,583, while MESA's payroll and related benefits increased $811,680 in 2006.

Investment income in 2007 was $34,697, which was an increase of $6,534 or 23.2% for 2007. Investment income for MESA is limited to interest earned on checking account for the Operating Funds held at the bank. The increase in 2007 was a result of higher average cash balances. Investment income in 2006 was $28,163, which was a decrease from 2005 of $2,082 or 6.9%.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 754,888	$ 1,268,936
Receivables from AMP-Ohio members	91,981	58,152
Receivables from related parties	770,727	711,586
Costs and recoveries in excess of billings from projects constructed on behalf of members	713,044	753,857
Prepaid expenses	91,966	8,000
Total Current Assets	2,422,606	2,800,531
Non-Current Assets		
Vehicles	317,594	247,765
Accumulated depreciation	(231,543)	(176,494)
Total Property	86,051	71,271
TOTAL ASSETS	$ 2,508,657	$ 2,871,802
NET ASSETS AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 236,708	$ 267,677
Payable to related party	-	582,568
Accrued salaries and related benefits	543,844	586,411
Accrued vacation leave	585,285	489,099
Total Current Liabilities	1,365,837	1,925,755
Non Current Liabilities		
Accrued sick leave	1,142,820	946,047
Total Current Liabilities	1,142,820	946,047
Net Assets		
Invested in capital assets	86,051	71,271
Unrestricted	(86,051)	(71,271)
Total Net Assets	-	-
TOTAL NET ASSETS AND LIABILITIES	$ 2,508,657	$ 2,871,802

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Services	$ 10,219,665	$ 8,975,111
Project revenue	2,182,025	3,692,781
Total Operating Revenues	12,401,690	12,667,892
OPERATING EXPENSES		
Salaries and related benefits	9,860,721	8,598,316
Depreciation	55,049	61,364
Professional fees	119,530	110,202
Direct project expenses	2,247,307	3,708,629
Insurance	92,250	90,032
Utilities	39,424	32,885
Other operating expenses	22,106	94,627
Total Operating Expenses	12,436,387	12,696,055
Operating Loss	(34,697)	(28,163)
NONOPERATING REVENUES		
Investment income and other	34,697	28,163
Change in net assets	-	-
NET ASSETS, Beginning of Year	-	-
NET ASSETS, END OF YEAR	$ -	$ -

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP-Ohio members for services	$ 2,195,429	$ 5,223,744
Cash received from related parties for services	10,113,290	8,949,504
Cash payments to employees for services	(9,838,017)	(8,466,919)
Cash payments to suppliers and related parties for goods and services	(2,430,618)	(5,529,890)
Net Cash Provided by (Used in) Operating Activities	40,084	176,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from payable to related party	(519,000)	173,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of vehicles	(69,829)	(65,721)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	34,697	28,163
Net Change in Cash and Cash Equivalents	(514,048)	311,881
CASH AND CASH EQUIVALENTS, Beginning of Year	1,268,936	957,055
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 754,888	$ 1,268,936
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (34,697)	$ (28,163)
Depreciation	55,049	61,364
Changes in assets and liabilities		
Receivables from AMP-Ohio members	(33,829)	1,196,076
Receivables from related parties	(59,141)	(89,175)
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	40,813	334,887
Prepaid expenses	(83,966)	65,757
Amounts payable and accrued expenses	(30,969)	(1,737,853)
Accrued salaries and related benefits	(42,567)	141,274
Accrued vacation and sick leave	292,959	168,704
Accounts payable to related parties	(63,568)	63,568
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 40,084	$ 176,439

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Energy Services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. As of December 31, 2006, there were 48 Participants in MESA. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. The participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). MESA also provides personnel and administrative services to AMP-Ohio, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA JVs"), the Ohio Municipal Electric Association ("OMEA") and the Ohio Public Power Educational Institute ("OPPEI"). The Agreement continues until December 31, 2006, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation. At December 31, 2007, no notice of termination has been received.

The following summarizes the significant accounting policies followed by MESA.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

NEW ACCOUNTING STANDARDS

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

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of MESA are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

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

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

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

Receivables/Payables

Accounts receivable are amounts due from participants, related parties, and other members of AMP-Ohio at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred in 2007.

Prepaids

Prepayments represent costs of insurance paid during the current audit year for coverage in subsequent years.

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Property

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

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

Accrued Vacation and Sick Leave

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

SERVICE REVENUE AND EXPENSES

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

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

PROJECT REVENUE AND EXPENSES

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

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

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – 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, since they are not available for use.

	Carrying Value as of December 31,		
	2007	2006	Risks
Checking	$ 1,534	$ 118	Custodial credit
Money Market Fund	753,354	1,268,817	Custodial credit
Total	$ 754,888	$ 1,268,935	

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts.

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2007 and 2006, $653,354 and $1,168,817 of the MESA's bank balances known to be individually exposed to custodial credit risk.

NOTE 3 – PROPERTY

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

	2007		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 247,765	$ 69,829	$ 317,594
Less: Accumulated depreciation	(176,494)	(55,049)	(231,543)
Vehicles, Net	$ 71,271	$ 14,780	$ 86,051

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

NOTE 4 – PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

The ORC provides statutory authority for employee and employer contributions. The employer and employee contributions to OPERS were as follows:

	Year Ended December 31		
	2007	2006	2005
Total Required Employer Contributions	$ 970,167	$ 875,521	$ 793,987
Total Required Employer Contribution Rate	13.85%	13.70%	13.55%
Total Required Employee Contribution Rate	9.5%	9.0%	8.5%

POSTEMPLOYMENT BENEFITS

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

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

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

NOTE 4 – PENSION PLANS (cont.)

POSTEMPLOYMENT BENEFITS (cont.)

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The CRC provides statutory authority requiring public employers to fund health care through their contributions to OPERS. The 2007 employer contribution rate was 13.85% of covered payroll; 5% of the employer contribution was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. MESA's employer contributions to OPERS totaled $970,169 and $875,521 in 2007 and 2006, respectively. Of this amount, approximately $386,471 and $287,609 was used to fund postemployment benefits in 2007 and 2006, respectively.

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

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130.

The amount of $12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.

Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006 reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $30.7 billion and $18.7 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, 2006.

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

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

Investment Return—The investment assumption rate for 2006 was 6.50%.

NOTE 4 – PENSION PLANS (cont.)

POSTEMPLOYMENT BENEFITS (cont.)

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

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

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

NOTE 5 – 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, health care excess liability, general liability, directors' and officers' insurance, fiduciary liability, and crime and fidelity coverage. In addition, MESA maintains an errors and omissions policy related to engineering services it performs.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

	2007	2006
AMP-Ohio	$ 8,162,042	$ 6,891,510
Ohio Municipal Electric Generation Agency Joint Venture 1	75,066	61,133
Ohio Municipal Electric Generation Agency Joint Venture 2	492,585	513,836
Ohio Municipal Electric Generation Agency Joint Venture 4	35,763	42,210
Ohio Municipal Electric Generation Agency Joint Venture 5	881,027	925,951
Ohio Municipal Electric Generation Agency Joint Venture 6	53,504	63,142
Ohio Municipal Electric Association	346,246	303,037
Ohio Public Power Educational Institute	173,432	174,292
AMP-Ohio Members	2,182,025	3,692,781
Totals	$ 12,401,690	$ 12,667,892

NOTE 6 – RELATED PARTY TRANSACTIONS (cont.)

At December 31, 2007 and 2006, MESA had receivables from affiliates of $770,727 and $711,586, respectively. At December 31, 2007 and 2006, MESA had a receivable from members of AMP-Ohio of $91,981 and $58,152, respectively.

During 2006, MESA borrowed $173,000 from AMP-Ohio, resulting in a total amount due of $519,000. AMP-Ohio is charging MESA an interest rate equivalent to the rate on AMP-Ohio's line of credit which is variable based on prime or LIBOR, depending on AMP-Ohio's interest coverage ratio. The borrowing does not have a set maturity. In 2007, all outstanding amounts due to AMP-Ohio have been repaid.

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

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, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Participants
Municipal Energy Services Agency

Internal Control Over Financial Reporting (cont.)

INTERNAL CONTROL DOCUMENTATION

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the MESA to document their internal control systems. Currently, the OMEGA MESA does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

FINANCIAL REPORTING

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

Auditee Response:

MESA is not staffed at a level to prepare the annual financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MESA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MESA in a separate letter dated April 9, 2008.

MESA's response to the findings identified in our audit were not audited by us and accordingly, we express no opinion on it.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

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December 31, 2007 and 2006

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 1

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV1 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV1 as of December 31, 2007 and changes in its financial opinion and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

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OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007 and 2006

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, 2007 and 2006. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

Financial Highlights

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

Condensed Statement of Net Assets

	2007	2006	2005
Assets			
Electric plant, net of accumulated depreciation	$ 333,312	$ 266,668	$ 267,447
Regulatory assets	53,268	48,917	59,461
Current assets	316,499	354,483	214,881
Total assets	$ 703,079	$ 670,068	$ 541,789
Net Assets and Liabilities			
Net assets - invested in capital assets	$ 333,312	$ 266,668	$ 267,447
Net assets - unrestricted	264,734	320,151	187,974
Current liabilities	10,723	16,603	22,793
Noncurrent liabilities	94,310	66,646	63,575
Total net assets and liabilities	$ 703,079	$ 670,068	$ 541,789

Total assets of $703,079 increased $33,011 or 5.0% in 2007, this compares to an increase of total assets of $128,279 or 23.7% in 2006, over 2005. The increase in 2007 is due primarily to an increase in electric plant, which is discussed in more detail below.

Electric plant, net of accumulated depreciation, increased in 2007 $66,644 from 2006, while the cost of electric plant assets increased $85,012 from the prior year. The increase of $85,012 was the result of an increase to the asset retirement obligation estimate, capital expenditures for a site grounding grid improvement for lightning or surge protection, capitalized maintenance, and a noise-reduction system for the generation units. The cost associated with the asset retirement obligation ("ARO") included in the cost of electric plant for 2007 was $58,394 and $33,949 for 2006 and 2005. Electric plant, net of accumulated depreciation, decreased in 2006 $779 from 2005, while the cost of electric plant assets increased $15,517 from the prior year. The increase in 2006 of $15,517 was the result of capital expenditures for a site grounding grid improvement for lightning or surge protection.

Regulatory assets at December 31, 2007 were $53,268. This was an increase of $4,351 for 2007 while 2006 had a decrease of $10,544 from 2005. These changes were directly related to a lightning strike that occurred in 2003 to three diesel units in that revenues were collected from OMEGA JV1 members beginning in September 2004 through 2006 to repair the units. This collection includes approximately $55,000 for new capital equipment, some of which was purchased in 2006. Regulatory assets contain amounts deferred for ARO costs. These deferred amounts are recorded in the statements of revenues, expenses and changes in net assets as the corresponding expense is realized.

Current assets as of December 31, 2007 were $316,499. This was a decrease in 2007 of $37,984 or 10.7% from 2006. In 2007, cash decreased $33,197, primarily related to a reduction in billing revenue from the participants of OMEGA JV1, while accounts receivable decreased $2,332. Fuel inventory increased $2,645 in 2006 as a result of lower inventory levels and despite higher diesel fuel costs. In 2006, cash increased $178,285, primarily related to increased billings to recover costs related to damages from the lightning strike, while accounts receivable decreased $46,867. Fuel inventory increased $9,224 in 2006 as a result of higher inventory levels and higher diesel fuel costs.

Total net assets and liabilities increased $33,011 or 5.0 % in 2007 compared to 2006. Total net assets and liabilities decreased $128,279 in 2006. These changes in total net assets and liabilities are explained in the categories below.

Net assets increased $11,227 or 1.9% in 2007 compared to 2006. This increase in 2007 is primarily due to investment income being higher than the operating loss. Net assets increased $131,398 or 28.9% in 2006 compared to 2005. This increase is the result of the operating income.

Current liabilities as of December 31, 2007 were $10,723. This was a decrease of $5,880, or 35.4% in 2007. The decrease in 2007 was primarily related to a decrease in accounts payable. Current liabilities of $16,603 decreased $6,190 or 27.2% in 2006. The decrease in 2006 was primarily related to a decrease in accounts payable.

Noncurrent liabilities as of December 31, 2007 were $94,310. This was an increase of $27,664, or 41.5% in 2007. This increase is due primarily to accretion expense related to asset retirement obligations. Noncurrent liabilities of $66,646 increased $3,071 or 4.9% in 2006. The increase was primarily the result of repayment of a $200,000 loan from AMP-Ohio to repair the units damaged in the lightning strike.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Assets			
Electric plant, net of accumulated depreciation	$ 333,312	$ 266,668	$ 267,447
Regulatory assets	53,268	48,917	59,461
Current assets	316,499	354,483	214,881
Total assets	$ 703,079	$ 670,068	$ 541,789
Net Assets and Liabilities			
Net assets	$ 598,046	$ 586,819	$ 455,421
Current liabilities	10,723	16,603	22,793
Noncurrent liabilities	94,310	66,646	63,575
Total net assets and liabilities	$ 703,079	$ 670,068	$ 541,789

Electric revenues in 2007 were $165,849, a decrease of $133,904 or 44.7% from 2006. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any. Generation increased to 150 megawatt hours in 2007 versus 135 megawatt hours produced in 2006. All units were fully operational in 2007 for the entire year. Revenue decreased in 2007 as a result of no debt service billing due to the paying off the OMEGA JV1 debt in 2006. Fees from participants increased $6,496 or 4.1% in 2007 from 2006. Electric revenues in 2006 were $299,753, a decrease of $63,955 or 17.6% from 2005. Generation decreased to 135 megawatt hours in 2006 versus 306 megawatt hours produced in 2005. All units were fully operational in 2006 for the entire year. Revenue decreased in 2006 as a result of in creased billings to collect funds to repair the three units damaged in the lightning strike. Fees from participants decreased $12,941 or 21.4% in 2006 from 2005. Debt service revenue decreased $51,014 or 26.7% in 2006 from 2005 due to the OMEGA JV1 debt being paid off in 2006.

Operating expenses in 2007 were $172,018. This is a decrease of $3,978 or 2.4% compared to 2006. The decrease in operating expenses in 2007 is primarily due to a decrease in maintenance expense of $14,511, a decrease in professional services of $2,876, offset by an increase in related party services of $13,933, and in diesel fuel expense of $6,496. Operating expenses in 2006 were $168,040, a decrease of $21,360 or 11.3% compared to 2005. The decrease in operating expenses in 2006 is primarily due to a decrease in diesel fuel expense of $12,941.

Investment income in 2007 was $13,045, which was an increase of $2,816 or 27.6% for 2007. Investment income for OMEGA JV1 is interest earned on checking account for the Operating Funds held at a bank. Increases in 2007 were the result of higher average cash balances at higher interest rates. Investment income increased $5,149 or 101.4% in 2006 due to an increased operating cash balance and a steadily increasing interest rate during 2006.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

		2007		2006
ASSETS				
Current Assets				
Cash and temporary investments	$	261,116	$	294,313
Receivables from participants		17,158		7,880
Receivables from related parties		-		11,610
Fuel inventory		32,643		35,288
Prepaid expenses		5,582		5,392
Total Current Assets		316,499		354,483
Non-Current Assets				
Electric Plant				
Electric generators		544,707		459,695
Fuel tank		35,000		35,000
Accumulated depreciation		(246,395)		(228,027)
Total Electric Plant		333,312		266,668
Regulatory assets		53,268		48,917
TOTAL ASSETS	$	703,079	$	670,068
NET ASSETS AND LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	$	7,900	$	10,708
Payable to related parties		2,823		5,895
Total Current Liabilities		10,723		16,603
Noncurrent Liabilities				
Asset retirement obligation		94,310		66,646
Total Noncurrent Liabilities		94,310		66,646
Total Liabilities		105,033		83,249
Net Assets				
Invested in capital assets		333,312		266,668
Unrestricted		264,734		320,151
Total Net Assets		598,046		586,819
TOTAL NET ASSETS AND LIABILITIES	$	703,079	$	670,068

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Electric revenue	$ 165,849	$ 299,753
OPERATING EXPENSES		
Related party services	75,067	61,134
Depreciation	18,368	16,296
Accretion of asset retirement obligation	3,219	3,071
Fuel	25,449	18,953
Maintenance	13,398	27,909
Utilities	7,389	7,615
Insurance	19,120	20,066
Professional services	8,226	11,102
Other operating expenses	1,782	1,894
Total Operating Expenses	172,018	168,040
Operating Income (Loss)	(6,169)	131,713
NONOPERATING REVENUES		
Investment income	13,045	10,229
Future recoverable costs	4,351	(10,544)
Total Non-Operating Revenues	17,396	(315)
Change in net assets	11,227	131,398
NET ASSETS, Beginning of Year	586,819	455,421
NET ASSETS, END OF YEAR	$ 598,046	$ 586,819

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 156,571	$ 295,867
Cash paid to related parties for personnel services	(78,282)	(61,132)
Cash payments to suppliers and related parties for goods and services	(63,963)	(51,162)
Net Cash Provided by Operating Activities	14,326	183,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(60,568)	(15,517)
Net Cash Used in Capital and Related Financing Activities	(60,568)	(15,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	13,045	10,229
Net Cash Provided by Investing Activities	13,045	10,229
Net Change in Cash and Cash Equivalents	(33,197)	178,285
CASH AND CASH EQUIVALENTS, Beginning of Year	294,313	116,028
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 261,116	$ 294,313

	2007	2006
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (6,169)	$ 131,713
Depreciation	18,368	16,296
Accretion of asset retirement obligation	3,219	3,071
Changes in assets and liabilities		
Receivables from participants	(9,278)	(3,886)
Receivables from related parties	11,610	50,753
Fuel inventory	2,645	(9,224)
Prepaid expenses	(190)	1,040
Accounts payable and accrued expenses	(2,807)	(3,218)
Payable to related parties	(3,072)	(2,972)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,326	$ 183,573
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	$ 261,116	$ 294,313
TOTAL CASH AND CASH EQUIVALENTS	$ 261,116	$ 294,313
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in estimated cost of plant	$ 24,445	$ -

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") was organized by 21 subdivisions of the State of Ohio (the "Participants") on April 1, 1992, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio") Northeast Area Service Group. The Participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV1 purchased its electric generating facilities (the "Project"), known as the Engle Units, from AMP-Ohio in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The Agreement continues until 60 days subsequent to the disposition of the Project, provided, however, that each Participant shall remain obligated to pay to OMEGA JV1 its respective share of the costs of termination, discontinuing, disposing of, and decommissioning the Project.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

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

NEW ACCOUNTING STANDARDS

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

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of OMEGA JV1 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

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

Receivables

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

Fuel Inventory

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Electric Plant

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

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

Asset Retirement Obligations

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

Regulatory Assets

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

Regulatory assets consisted of the following at December 31:

	2007	2006
Regulatory assets		
Deferral of expenses related to asset retirement obligations	$ 53,268	$ 48,917
Totals	$ 53,268	$ 48,917

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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
Totals	9,000	100.00%

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

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.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – 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.

	Carrying Value as of December 31,		
	2007	2006	Risks
Huntington Bank	$ 261,116	$ 294,313	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts. Deposits in credit unions are insured by the National Credit Union Administration in the amount of $100,000 for all share draft accounts and $100,000 for all share certificate and regular share accounts.

Custodial Credit Risk

Custodial risk is the risk that in the event of a bank failure, OMEGA JV1's deposits may not be returned to it. OMEGA JV1 does not have a custodial credit risk policy. OMEGA JV1 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000. As of December 31, 2007 and 2006, $161,116 and $194,313 of the utility's bank balances known to be individually exposed to custodial credit risk.

NOTE 3 – ELECTRIC PLANT

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

	2007			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 459,695	$ 60,567	$ 24,445	$ 544,707
Fuel tank	35,000			35,000
Total Electric Plant in Service	494,695	60,567	24,445	579,707
Less: Accumulated depreciation	(228,027)	(18,368)	-	(246,395)
Electric Plant, Net	$ 266,668	$ 42,199	$ 24,445	$ 333,312

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

NOTE 4 – 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:

	2007			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 66,646	$ 3,219	$ 24,445	$ 94,310

	2006			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 63,575	$ 3,071	$ -	$ 66,646

NOTE 4 – ASSET RETIREMENT OBLIGATIONS (cont.)

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

NOTE 5 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net assets invested in capital assets:

	2007	2006
Plant in Service	$ 579,707	$ 494,695
Accumulated Depreciation	(246,395)	(228,027)
Total Net Assets Invested in Capital Assets	$ 333,312	$ 266,668

NOTE 6 – COMMITMENTS AND CONTINGENCIES

PARTICIPANT CREDIT RISK

In March 2004, OMEGA JV1 became aware that the City of Galion ("Galion") was experiencing financial difficulties. Galion is an all requirements member participating in OMEGA JV1 to the extent of approximately 6% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code ("CRC"). In accordance with the CRC, the Galion Financial Planning and Supervision Commission (the "Commission") was formed. The Galion City Council adopted a fiscal recovery plan and submitted the plan to the Commission. At December 31, 2007, Galion is still in a state of fiscal emergency. OMEGA JV1 continues to monitor Galion's ability to stay current with its obligations to OMEGA JV1.

ENVIRONMENTAL MATTERS

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

Most metropolitan and industrialized counties in Ohio have become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Summit County, has been designated a nonattainment area for ozone and fine particulate matter, therefore, the Ohio EPA may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV1 generating facilities.

NOTE 7 – 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.

NOTE 8 – 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 payable to AMP-Ohio of $143 and a receivable from AMP-Ohio of $11,610 at December 31, 2007 and 2006, 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 $75,066 and $61,134 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV1 had a payable to MESA for $2,680 and $5,895 at December 31, 2007 and 2006, respectively.

- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of $7,389 and $7,615 for the years ended December 31, 2007 and 2006, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Fails 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.

- OMEGA JV1 purchased fuel from OMEGA JV1 in 2006, but not in 2007. OMEGA JV1 had a payable to OMEGA JV1 for $2,974 at December 31, 2006.

NOTE 9 – SUBSEQUENT EVENTS

In January 2008, Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") disbursed $117,550 to its participants.

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

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, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 1

INTERNAL CONTROL DOCUMENTATION

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV1 to document their internal control systems. Currently, the OMEGA JV1 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

FINANCIAL REPORTING

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

Auditee Response:

OMEGA JV1 is not staffed at a level to prepare the annual financial statements.

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 one instances of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards.*

OMEGA JV1's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

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December 31, 2007 and 2006

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 2

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV2 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV2") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV2 as of December 31, 2007 and changes in its financial opinion and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

Virchow, Krause & Company, LLP
Certified Public Accountants & Consultants • An Independent Member of Baker Tilly International

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, 2007 and 2006. 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 statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

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

Financial Highlights

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

Condensed Statement of Net Assets

	2007	2006	2005
Assets			
Electric Plant, net of accumulated depreciation	$ 37,738,833	$ 40,509,111	$ 43,422,472
Regulatory assets	872,199	737,842	605,782
Restricted assets	816,198	527,236	473,603
Current assets	2,351,970	2,095,756	1,864,723
Total assets	$ 41,779,200	$ 43,869,945	$ 46,366,580
Net Assets and Liabilities			
Net assets - invested in capital assets	$ 37,738,833	$ 40,509,111	$ 43,422,472
Net assets - restricted	816,198	527,236	473,603
Net assets - unrestricted	795,241	859,457	483,581
Current liabilities	129,722	135,600	252,525
Noncurrent liabilities	2,299,206	1,838,541	1,734,399
Total net assets and liabilities	$ 41,779,200	$ 43,869,945	$ 46,366,580

Total assets of $41,779,200 decreased $2,090,745 or 5.0% in 2007. This compares to a decrease of total assets of $2,496,635 or 5.4% in 2006, over 2005.

Condensed Statement of Net Assets (cont.)

Electric plant and equipment, net of accumulated depreciation decreased $2,770,278 for 2007 and $2,913,361 for 2006. The cost of electric plant and equipment assets, excluding the cost associated with asset retirement obligations, was $58,194,419 in 2007, an increase of $109,484 from 2006. The cost of electric plant and equipment assets, excluding the cost associated with asset retirement obligations, was $58,084,935 in 2006, a decrease of $ 10,043 from 2005.

Regulatory assets at December 31, 2006 were $872,199. This was an increase of $134,357 in 2007 compared to 2006. Regulatory assets in 2006 increased $132,060 over 2005. The increases were due primarily to increases in accretion expense related to asset retirement obligations.

Restricted assets at December 31, 2007 were $816,198. This was an increase of $288,962 in 2007 compared to 2006, and an increase of $53,633 in 2006 compared to 2005. The increase in 2007 was due to AMP-Ohio releasing $252,617 related to the 2001 purchase of the diesel-powered generation units and sending the money into the OMEGA JV2 Repair and Contingency fund. The increase in 2006 was due to increased deposits to the overhaul fund of $41,733.

Current assets as of December 31, 2007 were $2,351,970. This was an increase in 2007 of $256,214 compared to 2006, and an increase of $231,033 in 2006 compared to 2005. In 2007, cash increased $489,422 primarily due to a net loss on operations of $2,777,282 offset in part by non cash depreciation expense of $2,879,762, and a reduction in accounts receivable balances from both participants and related parties of $202,126. Accounts receivables decreased $202,126 primarily as a result of decreased accounts receivable of $118,639 from participants. Inventories decreased $32,217 primarily as a result of lower inventory levels more than offsetting increases in diesel fuel costs. In 2006, cash increased $57,400 primarily due to a net loss on operations of $2,701,547 offset in part by non cash depreciation expense of $2,903,318, and inventory purchases of $360,411. Accounts receivables increased $57,864 primarily as a result of increased accounts receivable of $70,881 from participants. Inventories increased $111,842 primarily as a result of higher inventory levels and increases in diesel fuel costs.

Current liabilities as of December 31, 2007 were $127,510. This was a decrease of $8,090 in 2007, while 2006 had an increase of $116,925. The decrease from 2006 to 2007 was primarily due to a decrease in accounts payable of $6,359. The decrease from 2005 to 2006 was primarily due to a decrease in accounts payable of $130,674.

Noncurrent liabilities as of December 31, 2007 were $2,299,206. This was an increase of $460,665 in 2007, while 2006 had an increase of $104,142. The 2007 increases were driven by increases in asset retirement obligations of $437,563 compared to 2006. The 2006 increases were primarily due to increases in deposits by the Participants to the overhaul fund for major repairs and maintenance and increases in asset retirement obligations of $72,451 in 2006 compared to 2005.

Net assets as of December 31, 2007 were $39,350,272. This was a decrease of $2,545,532 in 2007, while in 2006 net assets decreased $2,483,852. These reductions are equal to net operating losses for these periods plus investment income.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	$ 2,169,304	$ 2,546,329	$ 2,757,613
Operating expenses	4,946,586	5,247,876	5,443,806
Operating loss	$ (2,777,282)	$ (2,701,547)	$ (2,686,193)
Nonoperating revenue			
Investment income	$ 97,394	$ 85,635	$ 51,762
Future recoverable costs	134,356	132,060	127,821
Nonoperating revenue	231,750	217,695	179,583
Change in net assets	$ (2,545,532)	$ (2,483,852)	$ (2,506,610)

Electric revenues in 2007 were $2,169,304; this was a decrease of $377,025 for 2007, while 2006 decreased by $211,284 over 2005. OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expense. OMEGA JV2 does not include in their rates any bond payments by OMEGA JV2 financing members that are made directly to AMP-Ohio. The 2007 operating revenue decrease of $377,025 is attributable to the decrease in energy production from the generating units and a $353,779 reduction in the fixed revenue received from participants. In 2007, the energy production was 3,086 megawatt hours compared to 5,144 megawatt hours in 2006. The 2006 operating revenue decrease of $211,284 is attributable to the decrease in energy production from the generating units. In 2006, the energy production was 5,144 megawatt hours compared to 7,467 megawatt hours in 2005.

Operating expenses in 2007 were $4,946,586. This was a decrease of $301,290 in 2007 compared to 2006. In 2006, operating expenses decreased $195,930 compared to 2005. Fuel expense for 2007 was $431,420, in 2006 it was $619,956, and in 2005 it was $830,185. In 2007, the $301,290 decrease in operating expenses from 2006 was primarily due to a decrease in fuel expense of $188,536, a decrease in maintenance expense of $99,293, and a decrease in professional services of $33,439, offset by an increase in related party services of $16,563. In 2006, the $200,169 decrease in operating expenses over 2005 was primarily due to a decrease in fuel expense of $195,930, a decrease in related party services of $28,815, and a decrease in utilities of $28,225, offset by an increase in maintenance expense of $42,144 and an increase in other expenses of $18,159.

Investment income in 2007 was $97,394, which was an increase of $11,759 from 2006. Investment income in 2006 was $85,635, which was an increase of $33,873 from 2005. During 2007, investment income of $84,150 was earned on the checking account for the operating funds held at the bank. Interest income of $13,244 was on funds held by trustee as a requirement of the bond obligation for benefit of the OMEGA JV2 financing members, these funds were invested in short-term government backed securities, double rated short term commercial paper, or the trust agency's money market account. During 2006, investment income of $73,734 was earned on the checking account for the operating funds held at the bank. Interest income of $11,899 was on funds held by trustee as a requirement of the bond obligation for benefit of the OMEGA JV2 financing members, these funds were invested in short-term government backed securities, double rated short term commercial paper, or the trust agency's money market account.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and temporary investments	$ 1,743,310	$ 1,253,888
Receivables from participants	182,740	301,379
Receivables from related parties	4,408	87,895
Inventory	328,194	360,411
Prepaid expenses	93,318	92,183
Total Current Assets	2,351,970	2,095,756
Non-Current Assets		
Restricted Assets		
Funds held by trustee	516,916	251,056
Overhaul fund	299,282	276,180
Other Assets		
Regulatory assets	872,199	737,842
Electric Plant and Equipment		
Electric generators	58,161,319	58,051,835
Vehicles	33,100	33,100
Accumulated depreciation	(20,455,586)	(17,575,824)
Total Non-Current Assets	39,427,230	41,774,189
TOTAL ASSETS	$ 41,779,200	$ 43,869,945
TOTAL NET ASSETS AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 85,454	$ 89,601
Payable to related parties	44,268	45,999
Total Current Liabilities	129,722	135,600
Noncurrent Liabilities		
Regulatory liabilities	299,282	276,180
Asset retirement obligations	1,999,924	1,562,361
Total Noncurrent Liabilities	2,299,206	1,838,541
Total Liabilities	2,428,928	1,974,141
Net Assets		
Invested in capital assets	37,738,833	40,509,111
Restricted	816,198	527,236
Unrestricted	795,241	859,457
Total Net Assets	39,350,272	41,895,804
TOTAL LIABILITIES AND NET ASSETS	$ 41,779,200	$ 43,869,945

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Electric revenue	$ 2,169,304	$ 2,546,329
OPERATING EXPENSES		
Related party services	626,759	610,196
Depreciation	2,879,762	2,903,318
Accretion of asset retirement obligation	75,462	72,451
Fuel	431,420	619,956
Maintenance	421,795	521,088
Utilities	151,209	143,096
Insurance	202,165	198,738
Professional services	73,065	106,504
Other operating expenses	84,949	72,529
Total Operating Expenses	4,946,586	5,247,876
Operating Loss	(2,777,282)	(2,701,547)
NONOPERATING REVENUES		
Investment income	97,394	85,635
Future recoverable costs	134,356	132,060
Total Non-Operating Revenues	231,750	217,695
Change in net assets	(2,545,532)	(2,483,852)
NET ASSETS, Beginning of Year	41,895,804	44,379,656
NET ASSETS, END OF YEAR	$ 39,350,272	$ 41,895,804

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 2,371,430	$ 2,517,181
Cash paid to related parties for personnel services	(628,490)	(510,100)
Cash payments to suppliers and related parties for goods and services	(1,314,566)	(1,981,684)
Net Cash Provided by Operating Activities	428,374	25,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to overhaul fund	(23,102)	(41,733)
Purchases of investments	(265,860)	(978,393)
Proceeds from sale of investments	252,616	966,494
Investment income received	97,394	85,635
Net Cash Provided by (Used in) Investing Activities	61,048	32,003
Net Change in Cash and Cash Equivalents	489,422	57,400
CASH AND CASH EQUIVALENTS, Beginning of Year	1,253,888	1,196,488
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,743,310	$ 1,253,888

	2007	2006
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (2,777,282)	$ (2,701,547)
Depreciation	2,879,762	2,903,318
Accretion of asset retirement obligation	75,462	72,451
Deferred revenue	23,102	41,733
Changes in assets and liabilities		
Receivables from participants	118,639	(70,881)
Receivables from related parties	83,487	13,017
Inventory	32,217	(111,842)
Prepaid expenses	(1,135)	(3,927)
Accounts payable and accrued expenses	(4,147)	(130,674)
Payable to related parties	(1,731)	13,749
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 428,374	$ 25,397
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	$ 1,743,310	$ 1,253,888
Funds held by trustee	516,916	251,056
Overhaul fund	299,282	276,180
Total cash accounts	2,559,508	1,781,124
Less Non-cash equivalents	(816,198)	(527,236)
TOTAL CASH AND CASH EQUIVALENTS	$ 1,743,310	$ 1,253,888
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in estimated cost of plant	$ 362,101	$ -

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") was organized by 36 subdivisions of the State of Ohio (the "Participants") on November 21, 2000, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code, and commenced operations on December 1, 2000. Its purpose is to provide backup and peaking capacity to the Participants. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). On December 27, 2001, OMEGA JV2 purchased 138.650 MW of electric plant generating units (the "Project") from AMP-Ohio. The Project is referred to as "distributed generation" because the units are sited near the Participants' municipal electric systems where it is anticipated they will serve. The Project consists of two 32 MW used gas-fired turbines, one 11 MW used gas-fired turbine and 34 1.825 MW new and one 1.6 MW used oil-fired and diesel turbines. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and for as long as required by the financing agreement; provided, however, that each Participant shall remain obligated to pay to OMEGA JV2 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

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

NEW ACCOUNTING STANDARDS

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

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of OMEGA JV2 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV2 has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Gains and losses on investment transactions are determined on a specific identification basis.

Receivables

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

Inventory

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Restricted Assets

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

Prepaids

Prepaids consists of insurance premiums in the current fiscal year benefiting future periods.

Electric Plant and Equipment

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

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets

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

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%
Bowling Green	19,198	14.32
Niles	15,400	11.48
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Mary's	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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets (cont.)

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Arcanum	44	0.03%
Custar	4	0.00
Totals	134,081	100.00%
Reserves	4,569	
kW Capacity of the Project	$ 138,650	

Operating Revenue and Expenses

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

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV2 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 10). Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

Comparative Data

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED ASSETS

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.

	Carrying Value as of December 31		
	2007	2006	Risks
Money Market Funds	$ 2,295,208	$ 1,530,068	Custodial Credit
US Treasury Obligation	300	56	None
Commercial Paper	264,000	251,000	Custodial Credit, Interest, Concentration, Credit
	$ 2,559,508	$ 1,781,124	

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts.

Custodial Credit Risk

Deposits

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

OMEGA JV2's deposits exposed to custodial credit risk were as follows:

	2007		2006	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
US Bank	$ 152,616	152,616	-	-
Huntington Prime Bank	1,942,592	$ 1,942,592	$ 1,430,068	$ 1,430,068
Total	$ 2,095,208	$ 2,095,208	$ 1,430,068	$ 1,430,068

The OMEGA JV'2s investment policy does not address this risk.

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED ASSETS (cont.)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, OMEGA JV2 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

	2007		2006	
	Book Balance	Carrying Value	Book Balance	Carrying Value
Neither Insured nor registered and held by a counterparty	$ 264,000	$ 264,000	$ 251,000	$ 251,000

The OMEGA JV'2s investment policy does not address this risk.

Credit Risk

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

OMEGA JV2 invests in instruments approved under the entity's investment policy. The board of participants has authorized OMEGA JV2 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services.

As of December 31, 2007, OMEGA JV2's investments were rated as follows:

Investment Type	Moody's	Standard & Poors
Commercial Paper	P1	A1+

As of December 31, 2006, OMEGA JV2's investments were rated as follows:

Investment Type	Moody's	Standard & Poors
Commercial Paper	P1	A1+

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED ASSETS (cont.)

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2007, the OMEGA JV2's investments were as follows:

Investment	Maturity Date	Fair Value
Prudential Commercial Paper	01/02/2008	$ 263,000
US BanCorp Commercial Paper	01/02/2008	1,000
		$ 264,000

As of December 31, 2006, the utility's investments were as follows:

Investment	Maturity Date	Fair Value
US BanCorp Commercial Paper	01/02/2007	$ 251,000

The OMEGA JV2's investment policy does not address this risk.

Concentration of Credit Risk

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

At December 31, 2007 and 2006 OMEGA JV2's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2007	Percentage of Portfolio 2006
Prudential FNDG	Commercial Paper	11%	-
US BanCorp	Commercial Paper	-	14%

OMEGA JV2's investment policy does not address this risk.

NOTE 3 – RESTRICTED ASSETS

Restricted Accounts

Restricted assets include those assets comprising the Reserve and Contingency Fund and the Overhaul Fund, which are established and maintained pursuant to the Agreement.

NOTE 3 – RESTRICTED ASSETS (cont.)

Restricted Accounts (cont.)

The Agreement requires OMEGA JV2 to maintain a minimum funding in the Reserve and Contingency Fund of $225,000. This amount was collected from the Participants in January 2001.

Of this amount, $176,355 was collected from OMEGA JV2 participants who financed their capital contribution by participating in the bond issue. The fund is held by the bond trustee. In accordance with the trust indenture related to the bonds issued on behalf of OMEGA JV2 financing participants, amounts collected from financing participants may be used in the event of nonpayment of bond debt service.

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

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

Restricted Net Assets

The following calculation supports the amount of OMEGA JV2 restricted net assets:

	2007	2006
Restricted Assets		
Reserve and Contingency Account	$ 516,916	$ 251,056
Overhaul Fund	299,282	276,100
Total Restricted Net Assets as Calculated	$ 816,198	$ 527,236

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2007			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 58,051,835	$ -	$ 109,484	$ 58,161,319
Vehicles	33,100	-	-	33,100
Total Electric Plant and Equipment in Service	58,051,935	-	109,484	58,194,419
Less: Accumulated depreciation	(17,575,824)	(2,879,762)	-	(20,455,586)
Electric Plant and Equipment, Net	$ 40,509,111	$ (2,879,762)	$ 109,484	$ 37,738,833

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

During 2007, a change in estimate was made to plant to record the final cost of the generators. In 2001, participants contributed capital to construct new generators at this time the estimated cost of $58,051,835 was capitalized; this included an estimate of Asset Retirement Obligation of $1,177,700. In 2007, the cost of plant was ultimately determined to be $ 56,621,518. The difference of $252,617 was refunded to OMEGA JV2 from AMP and deposited into the Reserve and Contingency fund.

In addition a change of estimate was made due to a revised estimate in the ARO (note 5).

NOTE 5 – 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:

	2007			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	$ 1,562,361	$ 362,101	$ 75,462	$ 1,999,924

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

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

NOTE 6 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

NOTE 6 – NET ASSETS (cont.)

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

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the electric net assets invested in capital assets:

	2007	2006
Plant Assets	$ 56,654,618	$ 6,907,235
Asset Retirement Obligation	1,539,801	1,177,700
Accumulated Depreciation	(20,455,586)	(17,575,824)
Total Net Assets Invested in Capital Assets	$ 37,738,833	$ 40,509,111

NOTE 7 – COMMITMENTS AND CONTINGENCIES

PARTICIPANT CREDIT RISK

In March 2004, OMEGA JV2 became aware that the City of Galion ("Galion") was experiencing financial difficulties. Galion is an all requirements member participating in the Project to the extent of approximately 4% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code ("ORC"). In accordance with the ORC, the Galion Financial Planning and Supervision Commission (the "Commission") was formed. The Galion City Council adopted a fiscal recovery plan and submitted the plan to the Commission. At December 31, 2007, Galion is still in a state of fiscal emergency. OMEGA JV2 continues to monitor Galion's ability to stay current with its obligations to OMEGA JV2 and the project financing.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (cont.)

ENVIRONMENTAL MATTERS

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

Most metropolitan and industrialized counties in Ohio have become nonattainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, nitrogen oxides and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Butler (Hamilton), Medina (Seville), and Wood (Bowling Green) counties are non-attainment areas for ozone and fine particulate matter; therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the portions of the Project in these areas.

NOTE 8 – RISK MANAGEMENT

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

NOTE 9 – 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 $134,174 and $96,359 for the years ended December 31, 2007 and 2006, respectively, and had a payable due to Amp-Ohio of $16,473 at December 31, 2007, for these services. OMEGA JV2 had a receivable due from AMP-Ohio in the amount of $4,408 and $87,855 at December 31, 2007 and 2006, respectively, for payment of charges related to AMP-Ohio.

- 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 $492,584 and $513,837 for the years ended December 31, 2007 and 2006, respectively, and had a payable to MESA for $27,795 and $35,987 at December 31, 2007 and 2006, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS (cont.)

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $151,209 and $143,096 for these services for the years ended December 31, 2007 and 2006, respectively.

NOTE 10 – ACQUISITION OF THE PROJECT

Pursuant to the Agreement, OMEGA JV2 purchased the Project and assumed related contracts from AMP-Ohio for a total purchase price of $58,570,598, less capacity payments received prior to the purchase of $1,761,557.

The Participants in OMEGA JV2 consist of financing and nonfinancing participants. On January 1, 2001, AMP-Ohio issued $50,260,000 of OMEGA JV2 Project Distributive Generation Bonds, Series 2001 (the "OMEGA JV2 Bonds"), in the form of serial bonds on behalf of the financing participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. The nonfinancing participants contributed $12,665,886.

The OMEGA JV2 Bonds were not issued by OMEGA JV2 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV2 Bonds are not recorded in the financial statements of OMEGA JV2. The OMEGA JV2 Bonds outstanding at December 31, 2007, are as follows:

Maturity Date January 1,	Principal Amount	Interest Rate
2008	$ 2,020,000	4.10 %
2009	2,120,000	4.15 %
2010	2,225,000	5.00 %
2011	2,335,000	5.25 %
2012	2,460,000	5.25 %
2013	2,590,000	5.25 %
2014	2,725,000	5.25 %
2015	2,865,000	5.25 %
2016	3,015,000	5.25 %
2017	3,175,000	5.25 %
2021	14,280,000	4.75 %
Total	$ 39,810,000	

NOTE 10 – ACQUISITION OF THE PROJECT (cont.)

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

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

Based upon audited financial information for the year 2006, one Participant was not in compliance with the debt service coverage ratio requirement. The Participant represented that it is in compliance with the debt service coverage requirement in 2007 and expects to be in compliance in 2008 and beyond. Based on these representations, OMEGA JV2 took action to waive the noncompliance.

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

Virchow Krause & company

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

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, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 2

INTERNAL CONTROL DOCUMENTATION

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV2 to document their internal control systems. Currently, the OMEGA JV2 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

FINANCIAL REPORTING

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

Auditee Response

OMEGA JV2 is not staffed at a level to prepare the annual financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards.*

OMEGA JV2's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 4

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV4 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV4 as of December 31, 2007 and changes in its financial opinion and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

Virchow, Krause & Company, LLP
Certified Public Accountants & Consultants • An Independent Member of Baker Tilly International

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, 2007 and 2006. 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 statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets provides information about the nature and amount of assets and liabilities of OMEGA JV4 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital 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 Statement of Net Assets

	2007	2006	2005
Assets			
Transmission line, net of accumulated depreciation	$ 1,766,248	$ 1,864,674	$ 1,926,768
Current assets	595,815	677,335	819,238
Total assets	$ 2,362,063	$ 2,542,009	$ 2,746,006
Net Assets and Liabilities			
Net assets - invested in capital assets	$ 1,766,248	$ 1,864,674	$ 1,926,768
Non assets - unrestricted	582,895	629,255	784,955
Current liabilities	12,920	48,080	34,283
Total net assets and liabilities	$ 2,362,063	$ 2,542,009	$ 2,746,006

Total assets of $2,362,063 decreased $179,946 or 7.1% in 2007. This decrease is a result of a decrease in transmission line, net of accumulated depreciation, of $98,426, and a net decrease in current assets of $81,520.

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

Transmission line, net of accumulated depreciation at December 31, 2007 was $1,766,248. This was a decrease of $98,426, or 3.2%. In 2007, deprecation expense was $98,426.

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

Current assets decreased $81,520 or 12.0% in 2007. Cash decreased $81,520 primarily due to distributions to participants of $258,516, offset by income less deprecation expense of $223,428.

Current assets decreased $141,903 or 17.3% in 2006. Cash decreased $126,609 primarily due to capital expenditures of $34,428 and distributions to participants of $344,700, offset by income less deprecation expense of $198,909. Accounts receivable decreased by $15,330. Prepaid insurance increased $36.

Total net assets and liabilities decreased $179,946 or 7.1% in 2007. Net assets as of December 31, 2007 were $2,349,143; this was a decrease of $144,786 in 2007. The 2007 decrease of $144,786 was attributable to earnings of $113,730 offset by distributions to participants of $258,516.

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

Current liabilities as of December 31, 2007 were $12,920, this was an decrease of $35,160 in 2007 due primarily to a decrease in accounts payable to a related party of $236 and a decrease in accrued expenses of $34,924.

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	$ 270,000	$ 270,000	$ 639,534
Operating expenses	184,851	178,476	235,330
Operating income	85,149	91,524	404,204
Nonoperating revenues			
Investment income	28,581	35,382	30,194
Income before distributions	113,730	126,906	434,398
Distributions to participants	258,516	344,700	344,700
Change in net assets	$ (144,786)	$ (217,794)	$ 89,698

Transmission revenues in 2007 were $270,000, which is the same amount as in 2006.

Transmission revenues in 2006 were $270,000; this was a decrease of $369,534 or 57.8% compared to 2005. In 2005, OMEGA JV4 renegotiated contracts and rates with participants and the primary customer. The renegotiated contracts became effective in the fourth quarter of 2005. Rates for revenue were set at $22,500 per month. Previous rates were variable based on actual transmission line usage.

Operating expenses in 2007 were $184,851, an increase of $6,375 or 3.6% compared to 2006. Five primary factors affected the $6,375 increase in operating expenses for 2007: 1) Maintenance expense increased $14,321; 2) services from Municipal Energy Services Agency decreased $6,447; 3) depreciation expense increased $1,904; 4) professional services decreased $4,056; and 5) other operating expenses increased $653.

Operating expenses in 2006 were $178,476, a decrease of $56,854 or 24.2% compared to 2005. Five primary factors affected the $56,854 decrease in operating expenses for 2006: 1) Maintenance expense decreased $35,325; 2) services from Municipal Energy Services Agency decreased $32,529; 3) depreciation expense increased $20,504; 4) other operating expenses decreased $9,549; and 5) professional services increase $45.

Investment income in 2007 was $28,581, which was a decrease of $6,801 or 19.2% compared to 2006. The 2007 decrease was a result of lower investment rates.

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

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 570,823	$ 652,343
Receivables	22,500	22,500
Prepaid expenses	2,492	2,492
Total Current Assets	595,815	677,335
Non-Current Assets		
Utility Plant		
Transmission line	2,640,938	2,640,938
Accumulated depreciation	(874,690)	(776,264)
Total Utility Plant	1,766,248	1,864,674
TOTAL ASSETS	$ 2,362,063	$ 2,542,009
NET ASSETS AND LIABILITIES		
Current Liabilities		
Accrued expenses	$ 11,071	$ 45,995
Payable to related party	1,849	2,085
Total Current Liabilities	12,920	48,080
Net Assets		
Invested in capital assets	1,766,248	1,864,674
Unrestricted	582,895	629,255
Total Net Assets	2,349,143	2,493,929
TOTAL NET ASSETS AND LIABILITIES	$ 2,362,063	$ 2,542,009

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Transmission revenue	$ 270,000	$ 270,000
OPERATING EXPENSES		
Related party personnel services	35,763	42,210
Depreciation	98,426	96,522
Maintenance	19,951	5,630
Professional services	11,813	15,869
Other operating expenses	18,898	18,245
Total Operating Expenses	184,851	178,476
Operating Income	85,149	91,524
NONOPERATING REVENUES		
Investment income	28,581	35,382
Income before Distributions	113,730	126,906
DISTRIBUTIONS TO PARTICIPANTS		
Bryan	(108,577)	(144,774)
Pioneer	(77,555)	(103,410)
Montpelier	(64,629)	(86,175)
Edgerton	(7,755)	(10,341)
Total Distributions	(258,516)	(344,700)
Change in net assets	(144,786)	(217,794)
NET ASSETS, Beginning of Year	2,493,929	2,711,723
NET ASSETS, END OF YEAR	$ 2,349,143	$ 2,493,929

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	$ 270,000	$ 285,330
Cash paid to related parties for personnel services	(35,999)	(45,079)
Cash paid to suppliers and related parties for goods and services	(85,586)	(57,542)
Net Cash Provided by Operating Activities	148,415	182,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(258,516)	(344,700)
Net Cash Used in Noncapital Financing Activities	(258,516)	(344,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	28,581	35,382
Net Cash Provided by Investing Activities	28,581	35,382
Net Change in Cash and Cash Equivalents	(81,520)	(126,609)
CASH AND CASH EQUIVALENTS, Beginning of Year	652,343	778,952
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 570,823	$ 652,343

	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 85,149	$ 91,524
Depreciation	98,426	96,522
Changes in assets and liabilities		
Receivables	-	15,330
Prepaid expenses	-	(36)
Accrued expenses	(34,924)	(2,375)
Payable to related party	(236)	(18,256)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 148,415	$ 182,709
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	$ 570,823	$ 652,343
TOTAL CASH AND CASH EQUIVALENTS	$ 570,823	$ 652,343
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital addition and related accrued expenses	$ -	$ 34,428

See accompanying notes to financial statements.

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of MESA are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

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

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

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

Receivables/Payables

Accounts receivable are amounts due from participants, related parties, and other members of AMP-Ohio at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred in 2007.

Prepaids

Prepayments represent costs of insurance paid during the current audit year for coverage in subsequent years.

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of OMEGA JV4 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

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Prepaids

Prepayments represent costs of insurance paid during the current audit year for coverage in subsequent years.

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Utility Plant

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

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

Asset Retirement Obligations

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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
Totals	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.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – 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.

	Carrying Value as of December 31,		
	2007	2006	Risks
Money market funds	$ 570,823	$ 652,343	Custodial Credit

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts. Deposits in credit unions are insured by the National Credit Union Administration in the amount of $100,000 for all share draft accounts and $100,000 for all share certificate and regular share accounts.

Custodial Credit Risk

Custodial risk is the risk that in the event of a bank failure, OMEGA JV4's deposits may not be returned to it. OMEGA JV4 does not have a custodial credit risk policy. OMEGA JV4 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000. As of December 31, 2007 and 2006, $470,823 and $552,343 of the utility's bank balances known to be individually exposed to custodial credit risk.

NOTE 3 – UTILITY PLANT

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

	2007		
	Beginning Balance	Additions	Ending Balance
Transmission line	$ 2,640,938	$ -	$ 2,640,938
Less: Accumulated depreciation	(776,264)	(98,426)	(874,690)
Utility Plant, Net	$ 1,864,674	$ (98,426)	$ 1,766,248

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

NOTE 4 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The following calculation supports the electric net assets invested in capital assets:

	2007	2006
Plant in Service	$ 2,640,938	$ 2,640,938
Accumulated Depreciation	(874,690)	(766,264)
Total Net Assets Invested in Capital Assets	$ 1,766,248	$ 1,864,674

NOTE 5 – 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.

NOTE 6 – SIGNIFICANT CUSTOMERS

Transmission revenue in 2007 and 2006 was derived primarily from sales to two municipalities; 69% and 68%, respectively, from a nonparticipant, and 31% and 32%, respectively, from a participant. The contract with the nonparticipant can be cancelled on October 31, 2007 upon written notice six months prior to cancellation. A decision by the nonparticipant to purchase transmission service from a different provider would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found.

NOTE 7 – 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.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV4 had a payable due to AMP-Ohio in the amount of $90 and $91 at December 31, 2007 and 2006, 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 $35,763 and $42,210 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV4 had a payable to MESA of $1,759 and $1,994 at December 31, 2007 and 2006, respectively.

Virchow Krause & company

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

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, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 4

INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Internal Control Documentation

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV4 to document their internal control systems. Currently, the OMEGA JV4 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

Financial Reporting

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

Auditee Response:

OMEGA JV4 is not staffed at a level to prepare the annual financial statements.

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 one instance of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards.*

OMEGA JV4's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Including Independent Auditors' Report

December 31, 2007 and 2006

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

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December 31, 2007 and 2006

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 5

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV5 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV5 as of December 31, 2007 and changes in its financial opinion and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 on our consideration of JV5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 are not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007 and 2006

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, 2007 and 2006. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

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

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

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

Condensed Statement of Net Assets

	2007	2006	2005
Assets			
Utility plant	$ 146,020,175	$ 150,682,794	$ 155,345,413
Restricted assets	10,613,487	10,403,638	10,108,620
Current assets	6,991,591	8,719,973	7,118,763
Other assets	2,962,537	3,464,101	3,994,153
Total assets	$ 166,587,790	$ 173,270,506	$ 176,566,949
Net Assets and Liabilities			
Net assets - Invested in capital assets	$ 20,642,075	$ 21,994,119	$ 23,511,564
Net assets - restricted	7,381,651	7,139,925	6,858,095
Net assets - unrestricted	(19,074,237)	(18,330,853)	(21,087,676)
Net beneficial interest certificates	121,003,100	124,403,675	127,708,849
Liabilities payable from restricted assets	7,606,836	7,548,714	7,375,525
Current liabilities	1,468,804	1,478,498	1,521,138
Regulatory and noncurrent liabilities	27,559,561	29,036,428	30,679,454
Total net assets and liabilities	$ 166,587,790	$ 173,270,506	$ 176,566,949

Utility plant assets decreased $4,662,619 in 2007 and $4,662,619 in 2006 as a result of accumulated depreciation in those respective years. There were no significant capital expenditures or retirements of assets for OMEGA JV5 during these years.

Restricted assets at December 31, 2007 were $10,613,487. This was an increase of $209,849 in 2007 compared to 2006, and an increase of $295,018 in 2006 compared to 2005. The increases in both 2007 and 2006 were primarily due to interest earned on funds on deposit with the trustee.

Current assets at December 31, 2007 were $6,991,591. This was a decrease of $1,728,382 for 2007 compared to 2006, and an increase of $1,601,210 in 2006 compared to 2005. In 2007, the decrease is due to a decrease in operating cash of $1,692,192, an increase in accounts receivable of $148,557, a decrease in other receivables of $188,673, and an increase in inventory and prepaid expenses of $3.926. The increase in 2006 is due to an increase in operating cash of $1,325,997, an increase in accounts receivable of $45,646, an increase in other receivables of $188,673 and an increase in inventory and prepaid expenses of $40,894.

Other assets at December 31, 2007 were $2,962,537. This was a decrease in 2007 compared to 2006 of $501,564, and a decrease in 2006 compared to 2005 of $530,052. The decrease in 2007 was the result of a decrease in prepaid dedicated capacity of $240,142, prepaid bond insurance of $135,444, and beneficial interest certificates' issuance costs of $125,978. The decrease in 2006 was the result of a decrease in prepaid dedicated capacity of $240,142, prepaid bond insurance of $150,928, and beneficial interest certificates' issuance costs of $138,982.

Net assets at December 31, 2007 were $8,949,489. This was a decrease in 2007 compared to 2006 of $1,853,702, and an increase in 2006 compared to 2005 of $1,521,208. The decrease in 2007 was the result of an increase in restricted assets of $241,726, a decrease in invested in capital assets, net of related debt of $1,352,044, and a decrease in unrestricted assets of $743,384. The increase in 2006 was the result of an increase in unrestricted assets of $2,756,823, an increase in restricted assets of $281,830, and a decrease in invested in capital assets, net of related debt of $1,517,445.

Net Beneficial Interest Certificates at December 31, 2007 were $121,003,100. This was a decrease in 2007 over 2006 of $3,400,575, and a decrease in 2006 over 2005 of $3,305,174. The decrease in 2007 compared to 2006 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of $4,285,000 combined with accretion expense on the 2001 bonds. The decrease in 2006 compared to 2005 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of $4,125,000 combined with accretion expense on the 2001 bonds.

Liabilities from restricted assets at December 31, 2007 were $7,606,836. This was an increase of $58,122 in 2007 compared to 2006, and an increase of $173,189 in 2006 compared to 2005. The increase in 2007 was the result of an increase debt service collected to be reimbursed to members of $259, an increase in beneficial interest certificates of $90,000, and a decrease in accrued interest of $32,137. The increase in 2006 was the result of an increase debt service collected to be reimbursed to members of $75,064, an increase in beneficial interest certificates of $160,000, and a decrease in accrued interest of $61,875.

Regulatory and noncurrent liabilities at December 31, 2007 were $27,559,561. This was a decrease in 2007 compared to 2006 of $1,476,867, and a decrease of $1,643,026 in 2006 compared to 2005. The decrease in 2007 was the result of a decrease in regulatory liabilities of $1,471,728 and accrued license fees of $5,139. The decrease in 2006 was the result of a decrease in regulatory liabilities of $1,625,517 and accrued license fees of $17,509.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007 and 2006

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	$ 23,702,278	$ 23,567,468	$ 24,651,913
Operating expenses	17,771,750	16,406,994	17,739,712
Operating margin	5,930,528	7,160,474	6,912,201
Nonoperating revenue			
Investment income	539,807	582,240	309,415
Litigation Settlement	38,339	188,673	-
Interest Expense	(5,852,585)	(5,880,127)	(6,004,940)
Amortization	(428,091)	(530,052)	(579,805)
Total nonoperating revenue	(5,702,530)	(5,639,266)	(6,275,330)
Transfers to Members	(2,081,700)	-	-
Change in net assets	$ (1,853,702)	$ 1,521,208	$ 636,871

Operating revenue increased $134,810 in 2007 compared to 2006. Operating revenues decreased $1,084,445 in 2006 compared to 2005. The increase in 2007 compared to 2006 is a result of an increase in replacement purchased power, primarily due to a decrease in generation. The decrease in 2006 compared to 2005 is a result of a decrease in replacement purchased power, primarily due to an increase in generation.

Operating expenses increased by $1,364,756 in 2007 compared to 2006 primarily as the result of an increase in replacement purchased power. Operating expenses decreased by $1,332,718 in 2006 compared to 2005 primarily as a result of a decrease in replacement purchased power.

Investment income decreased $42,433 in 2007 compared to 2006, and increased $272,825 in 2006 compared to 2005. The decrease in 2007 was primarily the result of increased levels of cash on-hand and decreasing interest rates for the year. The increase in 2006 was primarily the result of increased levels of cash on-hand and rising interest rates for the year.

Litigation settlements decreased $150,334 in 2007 compared to 2006. Litigation settlements increased $188,673 in 2006 compared to 2005. A settlement was reached involving the barge accident in January 2005.

Current liabilities at December 31, 2007 were $1,468,804. This was a decrease in 2007 compared to 2006 of $9,694, and a decrease in 2006 compared to 2005 of $42,640. The decrease in 2007 over 2006 was primarily due to a decrease in accounts payable and accrued expenses of $35,037 offset by an increase in regulatory liabilities of $1,340 and an increase in accounts payable of $24,003. The decrease in 2006 over 2005 was primarily due to a decrease in accounts payable of $454,511 offset by an increase in regulatory liabilities of $39,678 and an increase in accounts payable and accrued expenses of $372,193.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,629,578	$ 7,321,770
Receivables from participants	1,020,073	692,466
Receivables from related parties	-	179,050
Other receivables	-	188,673
Inventory	122,765	121,425
Prepaid expenses	219,175	216,589
Total Current Assets	6,991,591	8,719,973
Non-Current Assets		
Restricted Assets		
Restricted assets - funds held by trustee	10,613,487	10,403,638
Other Assets		
Prepaid dedicated capacity	320,190	560,332
Prepaid bond insurance	1,294,731	1,430,175
Beneficial interest certificates' issuance costs	1,347,616	1,473,594
Electric Plant and Equipment		
Electric plant in service	186,288,814	186,288,814
Land	431,881	431,881
Accumulated depreciation	(40,700,520)	(36,037,901)
Total Non-Current Assets	159,596,199	164,550,533
TOTAL ASSETS	$ 166,587,790	$ 173,270,506

	2007	2006
NET ASSETS AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,254,856	$ 1,289,893
Payable to related parties	91,183	67,180
Regulatory liabilities - current	122,765	121,425
Liabilities Payable From Restricted Assets		
Accrued interest	1,797,741	1,829,878
Debt service collected to be reimbursed to members	1,434,095	1,433,836
Beneficial interest certificates, current	4,375,000	4,285,000
Total Current Liabilities	9,075,640	9,027,212
Noncurrent Liabilities		
Regulatory liabilities	27,482,776	28,954,504
Accrued license fees	76,785	81,924
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(36,386,459)	(37,434,356)
2004 beneficial interest refunding certificates	100,060,000	104,435,000
Unamortized premium	5,261,605	5,833,079
Unamortized cost from defeasance of 1993 beneficial interest certificates	(4,057,046)	(4,555,048)
Total Noncurrent Liabilities	148,562,661	153,440,103
Net Assets		
Invested in capital assets, net of related debt	20,642,075	21,994,119
Restricted	7,381,651	7,139,925
Unrestricted	(19,074,237)	(18,330,853)
Total Net Assets	8,949,489	10,803,191
TOTAL NET ASSETS AND LIABILITIES	$ 166,587,790	$ 173,270,506

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Electric revenue	$ 23,702,278	$ 23,567,468
OPERATING EXPENSES		
Purchased power	9,607,339	7,768,052
Related party services	1,051,066	1,097,836
Depreciation	4,662,619	4,662,619
Maintenance	672,792	518,479
Utilities	114,253	113,426
Insurance	377,714	371,779
Professional services	102,358	236,525
Payment in lieu of taxes	839,975	840,000
Other operating expenses	343,634	798,278
Total Operating Expenses	17,771,750	16,406,994
Operating Income	5,930,528	7,160,474
NONOPERATING REVENUES		
Investment income	539,807	582,240
Litigation settlement	38,339	188,673
Interest expense	(5,852,585)	(5,880,127)
Amortization of issuance costs and insurance	(261,422)	(302,256)
Amortization of Oberlin financing	(240,142)	(240,142)
Amortization of bond defeasance	(498,001)	(559,947)
Amortization of premium	571,474	572,293
Total Nonoperating Revenues	(5,702,530)	(5,639,266)
Net Income before Distributions	227,998	1,521,208
SPECIAL ITEM		
Distributions to participants	(2,081,700)	-
Change in net assets	(1,853,702)	1,521,208
NET ASSETS, Beginning of Year	10,803,191	9,281,983
NET ASSETS, END OF YEAR	$ 8,949,489	$ 10,803,191

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 23,780,733	$ 23,167,846
Cash paid to related parties for personnel services	(1,075,069)	(925,044)
Cash payments to suppliers and related parties for goods and services	(12,053,900)	(10,606,076)
Net Cash Provided by Operating Activities	10,651,764	11,636,726
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distribution to participants	(2,081,700)	-
Net Cash Provided by Noncapital Financing Activities	(2,081,700)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on beneficial interest certificates	(4,285,000)	(4,125,000)
Interest payments on beneficial interest certificates	(5,884,722)	(4,962,176)
Proceeds from debt service to be refunded to members	-	1,588,536
Payment of debt service refunded to members	(209,849)	(1,513,472)
Net Cash Used in Capital and Related Financing Activities	(10,379,571)	(9,012,112)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(422,492)	(1,815,762)
Investment income received	539,807	517,145
Net Cash Provided by Investing Activities	117,315	(1,298,617)
Net Change in Cash and Cash Equivalents	(1,692,192)	1,325,997
CASH AND CASH EQUIVALENTS, Beginning of Year	7,321,770	5,995,773
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,629,578	$ 7,321,770

	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 5,930,528	$ 7,160,474
Non-operating income	38,339	
Depreciation	4,662,619	4,662,619
Changes in assets and liabilities		
Receivables from participants	(327,607)	130,430
Receivables from related parties	179,050	(176,076)
Other accounts receivables	188,673	-
Inventory	(1,340)	(39,678)
Prepaid expenses	(2,586)	(1,216)
Accounts payable and accrued expenses	(34,776)	372,193
Payable to related parties	24,003	(454,511)
Accrued license fees	(5,139)	(17,509)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,651,764	$ 11,636,726
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	$ 5,629,578	$ 7,321,770
Funds held by trustee	10,613,487	10,403,638
Total cash accounts	16,243,065	17,725,408
Less Non-cash equivalents	(10,613,487)	(10,403,638)
TOTAL CASH AND CASH EQUIVALENTS	$ 5,629,578	$ 7,321,770
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Noncash settlement of litigation	$ -	$ 188,673

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

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

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

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

NEW ACCOUNTING STANDARDS

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

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of OMEGA JV5 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

The JV5 has adopted an investment policy. That policy follows the state statute for allowable investments.

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

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

ASSETS, LIABILITIES AND NET ASSETS

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred in 2007.

Inventory

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

Restricted Assets

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

Prepaids

Prepayments represent costs of insurance paid during the current audit year for coverage in subsequent years.

JV5 Plant

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

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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.

Regulatory Liabilities

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

Long-Term Obligations

Long-term debt and other obligations are reported as OMEGA JV5 liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets *(cont.)*

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Jackson Center	281	0.67%
Grafton	269	0.64
Elmore	244	0.58
Woodville	209	0.50
Milan	163	0.39
Bradner	145	0.35
Beach City	128	0.30
Prospect	115	0.27
Haskins	56	0.13
Lucas	54	0.13
Arcadia	46	0.11
South Vienna	45	0.11
Waynesfield	35	0.08
Eldorado	35	0.08
Republic	35	0.08
Custar	24	0.06
Totals	42,000	100.00%

REVENUES AND EXPENSES

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.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – 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.

	Carrying Value as of December 31, 2007	Carrying Value as of December 31, 2006	Risks
Money Market Funds	$ 5,629,578	$ 7,321,770	Custodial Credit and Credit
US Treasury Obligation	896	1,785	Custodial Credit
Commercial Paper	10,612,591	10,403,638	Credit, Interest, Custodial Credit, and Concentration
Total Cash	$ 16,243,065	$ 17,727,193	

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts.

Custodial Credit Risk

Deposits

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

The JV5 have deposits exposed to custodial credit risk.

	2007		2006	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Huntington Bank	$ 5,529,578	$ 5,529,578	$ 7,221,770	$ 7,221,770

The JV5's investment policy does not address this risk.

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

As of December 31, 2007 and 2006, the JV5's investments were exposed to custodial credit risk as follows:

	2007		2006	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	$ 10,613,487	$10,613,487	$ 10,403,638	$ 10,403,638

The JV5's investment policy does not address this risk.

Credit Risk

OMEGA JV5 invests in instruments approved under the entity's investment policy. The board of participants has authorized JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services.

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Credit Risk (cont.)

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

As of December 31, 2007, the JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial Paper	A1+	P1

As of December 31, 2006 the JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial Paper	A1+	P1

Concentration of Credit Risk

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

At December 31, 2007 and 2006 the JV5's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2007	2006
Citigroup	Commercial Paper	-	23.48%
General Electric	Commercial Paper	5.45%	10.30%
US Bank	Commercial Paper	59.88%	24.90%

The JV5's investment policy does not address this risk.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2007, the JV5's investments were as follows:

Investment	Maturity Date	Fair Value
General Electric Commercial Paper	2/15/2008	$ 885,957
US Bank Commercial Paper	2/15/2008	$ 9,726,633

As of December 31, 2006, the JV5's investments were as follows:

Investment	Maturity Date	Fair Value
General Electric Commercial Paper	2/15/2007	$ 1,825,162
US Bank Commercial Paper	2/15/2007	$ 4,414,209
Citigroup Commercial Paper	2/15/2007	$ 4,162,484

The JV5's investment policy does not address this risk.

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment, and Reserve and Contingency Funds, which are established and maintained pursuant to the trust agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets In the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating or repairs and maintenance; and (iii) to provide for the decommissioning of the Project.

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2007 and 2006, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

NOTE 3 – RESTRICTED ASSETS

Restricted Net Assets

The following calculation supports the amount of restricted net assets:

	2007	2006
Restricted Assets		
Certificate payment fund	$ 7,442,001	$ 7,394,950
Reserve and contingency fund	3,171,486	3,008,689
	10,613,487	10,403,639
Less:		
Current Liabilities Payable From Restricted Assets	(3,231,836)	(3,263,714)
Total Restricted Net Assets as Calculated	$ 7,381,651	$ 7,139,925

NOTE 4 – JV5 PLANT

JV5 plant activity for the years ended December 31 is as follows:

	2007		
	Beginning Balance	Additions	Ending Balance
JV5 plant	$ 186,288,814	$ -	$ 186,288,814
Land	431,881	-	431,881
Total JV5 Plant in Service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(36,037,901)	(4,662,619)	(40,700,520)
JV5 Plant, Net	$ 150,682,794	$ (4,662,619)	$ 146,020,175

	2006		
	Beginning Balance	Additions	Ending Balance
JV5 plant	$ 186,288,814	$ -	$ 186,288,814
Land	431,881	-	431,881
Total JV5 Plant in Service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(31,375,282)	(4,662,619)	(36,037,901)
JV5 Plant, Net	$ 155,345,413	$ (4,662,619)	$ 150,682,794

NOTE 5 – PREPAID BOND INSURANCE

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

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

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

NOTE 6 – 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.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES

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

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

OMEGA JV5 paid a redemption premium of $1,313,550 to redeem the 1993 Certificates. The difference between the reacquisition price of $132,668,550 and the net carrying amount of the 1993 Certificates, including unamortized discount and issuance costs, of $126,112,000, is deferred and amortized as a component of interest expense over the life of the 2004 Certificates. 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, 2007, are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
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
	104,435,000	
Less: Current portion	(4,375,000)	
Unamortized premium	5,261,605	
Unamortized cost from defeasance of beneficial interest certificates	(4,057,046)	
Total	$ 101,264,559	

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

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

In accordance with the trust agreement, amended on January 1, 2004, OMEGA JV5 is required to charge the Participants additional debt service ("Refunding Debt Service") in the amount of 15% of principal and Interest. On February 16 of each year from 2005 through 2024, amounts charged to the Participants for Refunding Debt Service for the previous twelve months shall be refunded to the Participants. OMEGA JV5 established a liability payable from restricted assets of $1,434,095 and $1,433,836 for amounts to be refunded to Participants at December 31, 2007 and 2006, respectively.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2007 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
Sub-Total	56,125,000	
Less: Unamortized discount	(36,386,459)	
Total	$ 19,738,541	

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.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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 JV5 systems, subject only to the prior payment of the operation and maintenance expenses thereof. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of OMEGA JV5.

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

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

Based upon unaudited financial information for the year 2007, one Participant either was not in compliance or was not able to affirmatively certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

Debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2007 are as follows:

	Principal	Interest	Refunding Debt Service	Totals
2008	$ 4,375,000	$4,744,756	$ 1,375,345	$ 10,495,101
2009	4,475,000	4,639,600	1,375,580	10,490,180
2010	4,570,000	4,515,113	1,373,049	10,458,162
2011	4,705,000	4,370,106	1,372,734	10,447,840
2012	4,860,000	4,172,150	1,373,048	10,405,198
2013 - 2017	28,355,000	16,854,625	6,887,776	52,097,401
2018 - 2022	36,030,000	8,836,500	6,865,088	51,731,588
2023 - 2027	25,673,880	24,966,970	2,746,733	53,387,583
2028 - 2030	5,291,103	18,088,897	-	23,380,000
Totals	$ 118,334,983	$ 91,188,717	$ 23,369,353	$ 232,893,053

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

	December 31, 2007		December 31, 2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 19,738,541	$ 19,736,034	$ 18,690,644	$ 22,941,440
2004 Certificates	105,639,559	103,407,933	109,998,031	113,960,863

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

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	$ 56,125,000	$ -	$ -	$ 56,125,000
Less: Unamortized discount	(37,434,356)	-	1,047,897	(36,386,459)
	18,690,644		1,047,897	19,738,541
2004 certificates	104,435,000	-	(4,375,000)	100,060,000
Less: Current maturities	4,285,000	4,375,000	(4,285,000)	4,375,000
Unamortized premium	5,833,079	-	(571,474)	5,261,605
Unamortized loss from refunding beneficial interest certificates	(4,555,048)	-	498,002	(4,057,046)
	109,998,031	4,375,000	(8,733,472)	105,639,559
Regulatory liabilities	28,954,504	-	(1,471,729)	27,482,775
Accrued license fees	81,924	76,785	(81,924)	76,785
Totals	$ 157,725,103	$ 4,451,785	$(9,239,228)	$ 152,937,660

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Long-term liability activity for the years ended December 31 is as follows: (cont.)

	2006			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	$ 56,125,000	$ -	$ -	$ 56,125,000
Less: Unamortized discount	(38,426,529)	-	992,173	(37,434,356)
	17,698,471	-	992,173	18,690,644
2004 certificates	108,720,000	-	(4,285,000)	104,435,000
Less: Current maturities	4,125,000	4,285,000	(4,125,000)	4,285,000
Unamortized premium	6,405,372		(572,293)	5,833,079
Unamortized loss from refunding beneficial interest certificates	(5,114,994)	-	559,946	(4,555,048)
	114,135,378	4,285,000	(8,422,347)	109,998,031
Regulatory liabilities	30,580,021	-	(1,625,517)	28,954,504
Accrued license fees	99,433	81,924	(99,433)	81,924
Totals	$ 162,513,303	$ 4,366,924	$ (9,155,124)	$ 157,725,103

Regulatory liabilities at December 31 are as follows:

	2007	2006
Regulatory Liabilities		
Debt service billed to Participants for Certificates in excess of related expenses	$ 25,996,712	$ 27,631,238
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,486,063	1,323,266
Inventories billed to Participants	122,765	121,425
Total Regulatory Liabilities	27,605,540	29,075,929
Current portion	(122,765)	(121,425)
Noncurrent Portion	$ 27,482,775	$ 28,954,504

NOTE 8 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the JV5's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the electric net assets invested in capital assets:

	2007	2006
Plant Assets	$ 186,288,814	$ 186,288,814
Land	431,881	431,881
Accumulated Depreciation	(40,700,520)	(36,037,901)
Sub-Totals	146,020,175	150,682,794
Restricted:		
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount- 01 BIC's	(36,386,459)	(37,434,356)
2004 beneficial interest certificates	100,060,000	104,435,000
Unamortized premium – 2004 BIC's	5,261,605	5,833,079
Unamortized defeasance costs – 93 BIC's	(4,057,046)	(4,555,048)
Current portion – BIC's	4,375,000	4,285,000
Sub- Totals	125,378,100	128,688,675
Total Net Assets Invested In Capital Assets, Net of Related Debt	$ 20,642,075	$ 21,994,119

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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

OTHER COMMITMENTS

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

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage.

NOTE 11 – 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, 2007 and 2006 was $170,038 and $171,884, respectively. OMEGA JV5 had a payable/receivable from AMP-Ohio of $0 at December 31, 2007 and a receivable of $179,050 at December 31, 2006.

- 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, 2007 and 2006 amounted to $9,607,339 and $7,768,052, respectively.

NOTE 11 – RELATED PARTY TRANSACTIONS (cont.)

- 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 $881,027 and $925,952 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV5 had payables to MESA of $65,014 and $67,180 at December31, 2007 and 2006, respectively.

- OMEGA JV5 sold capacity from back-up generating units to AMP-Ohio's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately $648,000 for the years ended December 31, 2007 and 2006.

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

- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of $98,366 and $88,520 for these services for the years ended December 31, 2007 and 2006, respectively.

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

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, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Internal Control Documentation

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV5 to document their internal control systems. Currently, the OMEGA JV5 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

Financial Reporting

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

Auditee Response:

OMEGA JV5 is not staffed at a level to prepare the annual financial statements.

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 one instances of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards.*

OMEGA JV5's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

Supplemental Information

Report of Independent Auditors on Supplemental Financial Data

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

The report on our audits of the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of December 31, 2007 for the year then ended, appears on page 1. This audit was 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 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts for the year ended December 31, 2007 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

Virchow, Krause & Company, LLP
Certified Public Accountants & Consultants • An Independent Member of Baker Tilly International

Ohio Municipal Electric Generation Agency Joint Venture 5

Schedule of Receipts and Disbursements of the 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts
Year Ended December 31, 2007

	Funds Held by Trustee		
	Total	Certificate Payment Fund	Reserve and Contingency Fund
Fund balances at December 31, 2006	$ 10,403,638	$ 7,394,950	$ 3,008,688
Receipts			
Interest on investments	10,543,943	10,543,943	-
Debt service receipts	368,601	221,602	146,999
Total receipts	10,912,544	10,765,545	146,999
Disbursements			
Debt service payments	9,121,825	9,121,825	-
Trust Fees	7,625	7,625	-
Draws	1,599,086	1,599,086	-
Total disbursements	10,728,536	10,728,536	-
Mark to market of investments	25,841	10,042	15,799
Excess of receipts and market value changes	209,849	47,051	162,798
Fund balances at December 31, 2007	$ 10,613,487	$ 7,442,001	$ 3,171,486

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

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December 31, 2007 and 2006

INDEPENDENT AUDITORS' REPORT

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 6

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV6 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV6 as of December 31, 2007 and changes in its financial opinion and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated April 9, 2008 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the 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.

Madison, Wisconsin
April 9, 2008

Virchow, Krause & Company, LLP

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007 and 2006

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") for the years ended December 31, 2007 and 2006. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV6 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV6's basic financial statements include the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets provides information about the nature and amount of assets and liabilities of OMEGA JV6 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses and the change in net assets for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, investing and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV6 as of December 31:

Condensed Statement of Net Assets

	2007	2006	2005
Assets			
Electric plant, net of accumulated depreciation	$ 8,449,400	$ 8,668,507	$ 8,984,666
Regulatory assets	153,258	108,216	64,564
Restricted assets	66,591	55,400	52,574
Current assets	850,636	534,454	358,701
Total assets	$ 9,519,885	$ 9,366,577	$ 9,460,505
Net Assets and Liabilities			
Net assets - invested in capital assets	$ 8,449,400	$ 8,668,507	$ 8,984,666
Net assets - restricted	66,591	55,400	52,574
Net assets - unrestricted	302,297	65,918	(224,232)
Current liabilities	15,899	16,698	114,645
Asset retirement obligations	685,698	560,054	532,852
Total net assets and liabilities	$ 9,519,885	$ 9,366,577	$ 9,460,505

Total assets of $9,519,885 increased $153,308 or 1.6% in 2007.

Electric plant, net of accumulated depreciation at December 31, 2007 was $8,449,400. This is a decrease of $219,107 due to increase of accumulated depreciation. Regulatory assets at December 31, 2007 were $153,258, an increase of $45,042 over 2006. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense per Statement of Financial Accounting Standards No. 143. Electric plant, net of accumulated depreciation at December 31, 2006 was $8,668,507. This was a decrease of $316,159 due to increase of accumulated depreciation. Regulatory assets at December 31, 2006 were $108,216, an increase of $43,652 over 2005.

Restricted assets as of December 31, 2007 were $66,591, an increase of $11,191 over 2006. Restricted assets consist of marketable securities held in trust as part of a bond requirement for the financing members of OMEGA JV6. These funds are available for use under covenants of the bond agreement, and upon repayment of the bonds, funds will revert back to the financing participants of OMEGA JV6. Restricted assets as of December 31, 2006 were $55,400, an increase of $2,826 over 2005.

Current assets as of December 31, 2007 were $850,636, an increase of $316,182 from 2006. In 2007, cash increased $413,875 resulting primarily from net income less depreciation of $336,586 and a reduction of receivables of $97,606. Prepaid insurance decreased $87, as insurance policies effective January 1, 2008 were paid in January 2008. Current assets as of December 31, 2006 were $534,454, an increase of $175,753 from 2005. In 2006, cash increased $107,964 resulting primarily from a full year of operations for all four wind turbines, as two units were put on-line in the first quarter 2005. Receivables increased $61,043. Prepaid insurance increased $6,746, as insurance policies effective January 1, 2007 were paid in January 2007.

Current liabilities as of December 31, 2007 were $15,899, a decrease of $799 from 2006. Current liabilities as of December 31, 2006 were $16,698, a decrease of $97,947 resulting from a payable to AMP-Ohio to refund bond proceeds not used in the construction of the wind turbines that took place in 2005 that was not applicable in 2006.

Net assets as of December 31, 2007 were $8,818,288, an increase of $28,463. Net assets as of December 31, 2006 were $8,789,825, a decrease of $23,183. The primary reason for the reduction was minimal but included recognition of the net loss.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	$ 472,458	$ 460,301	$ 430,706
Operating expenses	527,117	542,646	608,115
Operating loss	(54,659)	(82,345)	(177,409)
Nonoperating revenue			
Investment income	30,044	15,510	6,630
Future recoverable costs	45,042	43,652	42,331
Nonoperating revenue	75,086	59,162	48,961
Income before contributions	20,427	(23,183)	$ (128,448)
Contributions from participants	8,038	-	-
Change in net assets	$ 28,465	$ (23,183)	(128,448)

Rates for electric services are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include in their rates any bond payments by OMEGA JV6's financing members, which are made directly to AMP-Ohio. Energy attributes (Green Tags) are sold quarterly under a contract with an outside company through 2008.

Electric revenues in 2007 were $472,458, an increase of $12,157. The primary reason for the increase was due to increased generation in 2007. Operating expenses in 2007 were $527,117, a decrease of $15,529. This decrease was due to related party services expense decreasing by $9,637 as less Municipal Energy Services Agency employee hours were utilized, maintenance decreasing by $4,158 due to a decrease in the purchase of incidental supplies and a reduction in vegetation control, and a $4,114 reduction in accounting expense. Electric revenues in 2006 were $460,301, an increase of $29,595. The primary reason for the increase was due to increased generation in 2006. Operating expenses in 2006 were $498,994, a decrease of $66,786. This decrease was related to maintenance expense decreasing by $43,859 primarily as a result of expenses in 2005 relating to two additional units that were on-line. The remainder was due to a decrease in labor from 2005 due to decrease in maintenance expenses.

Investment income in 2007 was $30,044, an increase of $14,534 from 2006. Investment income of $26,889 was related to interest earned in 2007 on cash and cash equivalents. Interest income of $3,155 was earned in 2007 on funds held by trustee securities or a money market account. Investment income in 2006 was $15,510, an increase of $8,880 from 2005. Investment income of $12,684 was related to interest earned in 2006 on cash and cash equivalents. Interest income of $2,826 was earned in 2006 on funds held by trustee securities or a money market account.

In 2006, OMEGA JV6 was authorized by the Internal Revenue Service to issue $3.5 million in Clean Renewable Energy Bonds that will be used in expanding the output of the existing wind farm by installing one additional wind turbine. This authorization expires December 31, 2008.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 713,713	$ 299,838
Receivables	116,640	214,246
Prepaid expenses	20,283	20,370
Total Current Assets	850,636	534,454
Non-Current Assets		
Restricted assets - funds held by trustee	66,591	55,400
Regulatory assets	153,258	108,216
Electric Plant		
Electric plant	9,581,813	9,484,761
Accumulated depreciation	(1,132,413)	(816,254)
Total Non-Current Assets	8,669,249	8,832,123
TOTAL ASSETS	$ 9,519,885	$ 9,366,577
NET ASSETS AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 11,845	$ 12,282
Payable to related parties	4,054	4,416
Total Current Liabilities	15,899	16,698
Non-current Liabilities		
Asset retirement obligation	685,698	560,054
Total Non-current Liabilities	685,698	560,054
Total Liabilities	701,597	576,752
Net Assets		
Invested in capital assets	8,449,400	8,668,507
Restricted net assets	66,591	55,400
Unrestricted	302,297	65,918
Total Net Assets	8,818,288	8,789,825
TOTAL NET ASSETS AND LIABILITIES	$ 9,519,885	$ 9,366,577

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Electric revenues	$ 472,458	$ 460,301
OPERATING EXPENSES		
Related party services	53,504	63,141
Depreciation	316,159	316,159
Accretion of asset retirement obligation	28,592	27,202
Maintenance	70,889	75,047
Insurance	33,387	30,784
Professional services	12,783	16,641
Other operating expenses	11,803	13,672
Total Operating Expenses	527,117	542,646
Operating Loss	(54,659)	(82,345)
NON-OPERATING REVENUES		
Investment income	30,044	15,510
Future recoverable costs	45,042	43,652
Total Non-Operating Revenues	75,086	59,162
Income before Contributions	20,427	(23,183)
CONTRIBUTIONS FROM PARTICIPANTS	8,036	-
Change in net assets	28,463	(23,183)
NET ASSETS, Beginning of Year	8,789,825	8,813,008
NET ASSETS, END OF YEAR	$ 8,818,288	$ 8,789,825

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 570,064	$ 399,258
Cash paid to related parties for personnel services	(53,866)	(63,676)
Cash payments to suppliers and related parties for goods and services	(129,212)	(240,302)
Net Cash Provided by Operating Activities	386,986	95,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from participants	8,036	-
Net Cash Provided by Capital and Related Financing Activities	8,036	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to restricted assets	(8,036)	-
Purchases of investments	(3,155)	(776,695)
Proceeds from sale of investments	-	773,869
Investment income received	30,044	15,510
Net Cash Provided by (Used in) Investing Activities	18,853	12,684
Net Change in Cash	413,875	107,964
CASH AND CASH EQUIVALENTS, Beginning of Year	299,838	191,874
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 713,713	$ 299,838
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (54,659)	$ (82,345)
Depreciation	316,159	316,159
Accretion of asset retirement obligation	28,592	27,202
Changes in assets and liabilities		
Receivables	97,606	(61,043)
Prepaid expenses	87	(6,746)
Accounts payable and accrued expenses	(437)	(7,216)
Payable to related parties	(362)	(90,731)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 386,986	$ 95,280
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	$ 713,713	$ 299,838
Funds held by trustee	66,591	55,400
Total cash accounts	780,304	355,238
Less Non-cash equivalents	(66,591)	(55,400)
TOTAL CASH AND CASH EQUIVALENTS	$ 713,713	$ 299,838
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in ARO estimate	$ 97,052	$ -

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

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

New Accounting Standards

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

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Restricted cash accounts, if any, are treated as non-cash equivalent investments for the cash flow statement.

Investments of OMEGA JV6 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08 & 09.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Commercial paper, with certain conditions.
6. All investments must have an original maturity of 5 years or less.
7. Repurchase agreements with public depositories, with certain conditions.

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

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

Receivables

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

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Prepaids

Prepayments represent costs of insurance and rent paid during the current audit year for coverage in subsequent years.

ELECTRIC PLANT

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

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

Asset Retirement Obligations

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

Regulatory Assets

OMEGA JV6 records regulatory assets (deferred expenses to be recovered in rates in future periods). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods.

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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
Totals	7,200	100.00%

OPERATING REVENUE AND EXPENSES

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

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV6 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 5). Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

OMEGA JV6 also sells energy attributes associated with electricity generated by the Project. Revenue from the sale of energy attributes is recorded as energy is generated. Rates are determined by a contract which requires OMEGA JV6 to sell all energy attributes. The contract expires on December 31, 2008. During the years ended December 31, 2007 and 2006, all of OMEGA JV6's revenue was derived from the sale of energy.

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

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – 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.

	Carrying Value as of December 31,		
	2007	2006	Risks
Money Market Funds	$ 713,713	$ 299,838	Custodial credit
First American Treasury Obligation	965	748	Custodial credit
Commercial Paper	65,626	54,652	Custodial credit, credit and interest rate
	$ 780,304	$ 355,238	

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts.

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV6's deposits may not be returned to it. OMEGA JV6 does not have a custodial credit risk policy. OMEGA JV6 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of $100,000. As of December 31, 2007 and 2006, $613,713 and $199,838 of the utility's bank balances known to be individually exposed to custodial credit risk.

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Custodial Credit Risk (cont.)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, OMEGA JV6 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

	2007		2006	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither Insured nor registered and held by a counterparty	$ 65,626	$ 65,626	$ 54,652	$ 54,652

The utility's investment policy does not address this risk.

Credit Risk

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

As of December 31, 2007, the utility's investments were rated as follows:

Investment Type	Depository Institution	Standard & Poors	Moody's Investors Services
Commercial Paper	US Bancorp	A1+	P1
Commercial Paper	US Bank NA	A1+	P1

As of December 31, 2006 the utility's investments were rated as follows:

Investment Type	Depository Institution	Standard & Poors	Moody's Investors Services
Commercial Paper	US Bank NA	A1+	P1

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Concentration of Credit Risk

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

At December 31, 2007 and 2006 the utility's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2007	2006
US Bank NA	Commercial Paper	7.39%	-

The utility's investment policy does not address this risk.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2007, the utility's investments were as follows:

Investment	Maturity Date	Fair Value
Commercial Paper	2/15/2008	$ 66,591

As of December 31, 2006, the utility's investments were as follows:

Investment	Maturity Date	Fair Value
Commercial Paper	02/14/2007	$ 54,651

OMEGA JV6's investment policy does not address this risk.

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Reserve and Contingency Fund, which was established and maintained pursuant to the Agreement.

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

Restricted Net Assets

The following calculation supports the amount of restricted net assets:

	2007	2006
Restricted Assets		
Reserve and Contingency Fund	$ 66,591	$ 55,400
Total Restricted Net Assets as Calculated	$ 66,591	$ 55,400

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2007			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	$ 9,484,761	$ -	$ 97,052	$ 9,581,813
Less: Accumulated depreciation	(816,254)	(316,159)	-	(1,132,413)
Electric Plant, Net	$ 8,668,507	$ (316,159)	$ 97,052	$ 8,449,400

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

During 2007, OMEGA JV6 recorded an adjustment to electric plant to reflect the revised estimate of the ARO as a result of a change in estimate (Note 6).

NOTE 5 – ACQUISITION OF THE PROJECT

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

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

NOTE 5 – ACQUISITION OF THE PROJECT (cont.)

The OMEGA JV6 Bonds were not issued by OMEGA JV6 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV6 Bonds are not recorded in the financial statements of OMEGA JV6. The OMEGA JV6 Bonds outstanding at December 31, 2007, are as follows:

Maturity Date February 15 and August 15,	Principal Amount	Interest Rate
2008	$ 746,000	3.43%
2009	771,000	3.43%
2010	798,000	3.43%
2011	825,000	3.43%
2012	854,000	3.43%
2013	884,000	3.43%
2014	914,000	3.43%
2015	946,000	3.43%
2016	843,000	3.43%
Total	$ 7,581,000	

The maturity table assumes an interest rate of 3.43%, which is equal to the interest rate used to calculate the August 15, 2007 principal payment.

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

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

Based on the audited financial information for the year 2006, one financing participant was not in compliance with the debt service coverage ratio requirement. The participant represented that it is in compliance with the debt service coverage requirement in 2007 and expects to be in compliance in 2008 and beyond. Based on these representations, OMEGA JV6 took action to waive the noncompliance.

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

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

	2007			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 560,054	$ 28,592	$ 97,052	$ 685,698

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

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

NOTE 7 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

NOTE 7 – NET ASSETS (cont.)

Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the electric net assets invested in capital assets:

	2007	2006
Electric Plant	$ 9,581,813	$ 9,484,761
Accumulated Depreciation	(1,132,413)	(816,254)
Total Net Assets Invested in Capital Assets	$ 8,449,400	$ 8,668,507

NOTE 8 – 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.

NOTE 9 – RISK MANAGEMENT

OMEGA JV6 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage.

NOTE 10 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. In addition, AMP-Ohio is entitled to a fee associated with the sale of energy attributes. Such fees amounted to approximately $14,726 and $14,401 for the years ended December 31, 2007 and 2006, respectively.
- As OMEGA JV6's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were $53,504 and $63,141 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV6 had a payable to MESA for $4,054 and $4,416 at December 31, 2007 and 2006, respectively.

NOTE 11 – FUTURE LEASE COMMITMENT

On November 14, 2002, AMP-Ohio entered into a 20 year lease for the land where the Project is located. The term of the lease allows for annual renewals if the Project is commercially operable. The lease requires annual payments of $1,000 per wind turbine unit. AMP-Ohio has assigned this lease to OMEGA JV6. Rent expense from this lease totaled $4,000 during each of the years ended December 31, 2007 and 2006.

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 6

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of and for the year ended December 31, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 6

Internal Control Documentation

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV6 to document their internal control systems. Currently, the OMEGA JV6 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

Financial Reporting

The new standard makes it clear that the definition of a material weakness in internal control should not include consideration of the year end financial reporting process. There is a material weakness over financial reporting because of the following:

- There were material journal entries as a result of our audit procedures.
- A complete set of year end financial statements for the auditor to test was not prepared by staff.

OMEGA JV6 is not staffed appropriately to prepare the annual financial statements.

Auditee Response

OMEGA JV6 is not staffed at a level to prepare the annual financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OMEGA JV6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards*.

OMEGA JV6's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

Mary Taylor, CPA
Auditor of State

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURES 1,2,4,5,6 AND MUNICIPAL ENERGY SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 29, 2008

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