



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010



Dave Yost • Auditor of State

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency
1111 Schrock Road, Suite 100
Columbus, Ohio 43229

We have reviewed the *Independent Auditors' Report* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 12, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV1's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV1 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Ohio Municipal Electric Generation Agency Joint Venture 1 as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

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, 2011 and 2010. 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 statements of net assets; the statements of revenues, expenses and changes in net assets; and the statements of cash flows.

The statements of net assets provide information about the nature and amount of assets and liabilities of OMEGA JV1 as of the end of the year. The statements of revenues, expenses and changes in net assets report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

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

Condensed Statements of Net Assets

	2011	2010	2009
Assets			
Electric plant, net of accumulated depreciation	\$ 227,325	\$ 251,505	\$ 245,354
Board designated funds	76,977	76,642	-
Regulatory assets	62,539	57,861	68,631
Current assets	191,313	182,736	247,488
Total Assets	\$ 558,154	\$ 568,744	\$ 561,473
Net Assets and Liabilities			
Net assets - invested in capital assets	\$ 227,325	\$ 251,505	\$ 245,354
Net assets - unrestricted	237,404	221,979	241,258
Total net assets	464,729	473,484	486,612
Current liabilities	16,448	18,618	13,438
Noncurrent liabilities	76,977	76,642	61,423
Total Net Assets and Liabilities	\$ 558,154	\$ 568,744	\$ 561,473

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

2011 vs. 2010

Total assets were \$558,154 and \$568,744 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$10,590. The decrease in 2011 total assets is due primarily to a decrease in cash and an increase in accumulated depreciation.

Electric plant, net of accumulated depreciation was \$227,325 and \$251,505 at year-end 2011 and 2010, respectively, a decrease of \$24,180. The decrease was primarily the result of a decrease in ARO asset values of \$1,213 and an increase in accumulated depreciation of \$22,967. The cost associated with the asset retirement obligation included in the cost of electric plant for 2011 was \$40,409, versus \$41,622 in 2010. ARO obligations for OMEGA JV1 were prepared internally.

Regulatory assets were \$62,539 and \$57,861 at December 31, 2011 and December 31, 2010, respectively, an increase of \$4,678. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses and changes in net assets as the corresponding expense is realized.

Current assets were \$191,313 and \$182,736 at December 31, 2011 and December 31, 2010, respectively, an increase of \$8,577. Compared to 2010 levels, cash and temporary investments and accrued interest receivable decreased \$16,125, accounts receivable increased \$9,317, inventory increased \$18,169, and prepaid assets decreased \$2,784.

Total net assets and liabilities were \$558,154 and \$568,744 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$10,590.

Total net assets were \$464,729 and \$473,484 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$8,755, which resulted from the 2011 net loss. Net assets – invested in capital assets were \$227,325 and \$251,505 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$24,180. This decrease resulted from the decrease in electric plant, net of depreciation. Unrestricted net assets were \$237,404 and \$221,979 at December 31, 2011 and December 31, 2010, respectively, an increase of \$15,425.

Current liabilities were \$16,448 and \$18,618 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,170. This resulted from a decrease in accounts payable of \$2,680 and increases in payables to related parties of \$386 and accruals of \$124.

Noncurrent liabilities were \$76,977 and \$76,642 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$335. This increase was due to the increase in the net present value of estimated ARO obligations for the project, based on an internal analysis.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

2010 vs. 2009

Total assets were \$568,744 and \$561,473 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$7,271. The increase in 2010 total assets is due primarily to the establishment of an asset retirement maintenance reserve in 2010 and temporary investments, partially offset by a decrease in cash.

Electric plant, net of accumulated depreciation was \$251,505 and \$245,354 at year-end 2010 and 2009, respectively, an increase of \$6,151. The increase was primarily the result of an increase in ARO asset values of \$25,463 offset, in part, by an increase in accumulated depreciation of \$19,312. The cost associated with the asset retirement obligation included in the cost of electric plant for 2010 was \$41,622, versus \$16,159 in 2009. ARO obligations for OMEGA JV1 were prepared by independent engineering consultants. These projections increased over prior year estimates due to higher projected cleanup and restoration expenses. The net present value of these obligations increased further as a result of decreased interest rates at year end 2010 versus 2009.

Regulatory assets were \$57,861 and \$68,631 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$10,770. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses and changes in net assets as the corresponding expense is realized.

Current assets were \$182,736 and \$247,488 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$64,752. In 2010, cash and temporary investments decreased \$53,053, primarily as a result of the establishment of an asset retirement maintenance cash reserve of \$76,642 during the year. Compared to 2009 levels, accounts receivable decreased \$4,518, inventory decreased \$9,931, and prepaid assets increased \$2,750.

Total net assets and liabilities were \$568,744 and \$561,473 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$7,271.

Total net assets were \$473,484 and \$486,612 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$13,128, which resulted from the 2010 net loss. Net assets – invested in capital assets were \$251,505 and \$245,354 at December 31, 2010 and December 31, 2009, respectively, an increase of \$6,151. This increase resulted from the increase in electric plant, net of depreciation. Unrestricted net assets were \$221,979 and \$241,258 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$19,279.

Current liabilities were \$18,618 and \$13,438 at December 31, 2010 and December 31, 2009, respectively, an increase of \$5,180. This resulted from increases in accounts payable of \$1,972, payables to related parties of \$2,484 and accruals of \$724.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
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Noncurrent liabilities were \$76,642 and \$61,423 as of December 31, 2010 December 31, 2009, respectively, an increase of \$15,219. This increase was due to the increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants. As discussed previously, the increase is due to the combined impact of an increase in estimated asset retirement costs and lower interest rates prevailing at year-end 2010 versus 2009.

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

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 192,105	\$ 150,331	\$ 144,685
Operating expenses	<u>207,033</u>	<u>166,627</u>	<u>141,459</u>
Operating Income/(Loss)	<u>(14,928)</u>	<u>(16,296)</u>	<u>3,226</u>
Nonoperating revenue			
Investment income	403	730	446
Future recoverable costs	<u>5,770</u>	<u>2,438</u>	<u>5,459</u>
Nonoperating Revenue	<u>6,173</u>	<u>3,168</u>	<u>5,905</u>
Change in Net Assets	<u>\$ (8,755)</u>	<u>\$ (13,128)</u>	<u>\$ 9,131</u>

Operating results

Electric revenues in 2011 were \$192,105, an increase of \$41,774 from 2010. 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. Electric revenues in 2010 were \$150,331, an increase of \$5,646 from 2009.

Operating expenses in 2011 were \$207,033 is an increase of \$40,406 compared to 2010. The increase in operating expenses in 2011 is due to increases in related party services, fuel, insurance, other operating expense and professional services, which were partially offset by decreases in maintenance and ARO accretion expense. Operating expenses in 2010 were \$166,627. This is an increase of \$25,168 compared to 2009. The increase in operating expenses in 2010 is primarily due to increases in related party services, ARO accretion expense, fuel, maintenance, insurance and professional services, which were partially offset by decreases in depreciation expense, utilities and other operating expenses.

Investment income in 2011 was \$403 versus \$730 in 2010 which is a decrease of \$327.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

Investment income in 2010 was \$730 versus \$446 in 2009 which is an increase of \$284. Investment income for OMEGA JV1 is interest earned on checking account balances and short term CDs.

There were no distributions to participants of OMEGA JV1 in 2011 or 2010.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 126,880	\$ 143,004
Receivables from participants	12,094	2,777
Accrued interest receivable	4	5
Inventory	48,002	29,833
Prepaid expenses	4,333	7,117
Total Current Assets	191,313	182,736
NON-CURRENT ASSETS		
Electric Plant		
Electric generators	526,722	527,935
Fuel tank	35,000	35,000
Accumulated depreciation	(334,397)	(311,430)
Other Assets		
Board designated funds	76,977	76,642
Regulatory assets	62,539	57,861
Total Non-Current Assets	366,841	386,008
TOTAL ASSETS	\$ 558,154	\$ 568,744
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,867	\$ 12,423
Payable to related parties	6,581	6,195
Total Current Liabilities	16,448	18,618
NONCURRENT LIABILITIES		
Asset retirement obligation	76,977	76,642
Total Noncurrent Liabilities	76,977	76,642
Total Liabilities	93,425	95,260
NET ASSETS		
Invested in capital assets	227,325	251,505
Unrestricted	237,404	221,979
Total Net Assets	464,729	473,484
TOTAL LIABILITIES AND NET ASSETS	\$ 558,154	\$ 568,744

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Electric revenue	\$ 192,105	\$ 150,331
OPERATING EXPENSES		
Related party services	82,905	77,668
Depreciation	22,967	19,312
Accretion of asset retirement obligation	2,640	2,964
Fuel	39,826	9,931
Maintenance	8,695	15,131
Utilities	9,907	8,226
Insurance	24,797	22,150
Professional services	12,231	9,775
Other operating expenses	3,065	1,470
Total Operating Expenses	207,033	166,627
Operating Loss	(14,928)	(16,296)
NON-OPERATING REVENUES		
Investment income	403	730
Future recoverable costs	5,770	2,438
Total Non-Operating Revenues	6,173	3,168
Change in net assets	(8,755)	(13,128)
NET ASSETS, Beginning of Year	473,484	486,612
NET ASSETS, END OF YEAR	\$ 464,729	\$ 473,484

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 182,788	\$ 154,833
Cash paid to related parties for personnel services	(82,519)	(64,497)
Cash payments to suppliers and related parties for goods and services	(116,462)	(67,493)
Net Cash Provided by (Used in) Operating Activities	(16,193)	22,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(35,416)	(35,351)
Investments sold and matured	35,351	35,000
Investment income received	404	746
Net Cash Provided by Investing Activities	339	395
Net Change in Cash and Cash Equivalents	(15,854)	23,238
CASH AND CASH EQUIVALENTS, Beginning of Year	184,295	161,057
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 168,441	\$ 184,295
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (14,928)	\$ (16,296)
Depreciation	22,967	19,312
Accretion of asset retirement obligation	2,640	2,964
Changes in assets and liabilities		
Receivables from participants	(9,317)	4,502
Inventory	(18,169)	9,931
Prepaid expenses	2,784	(2,750)
Accounts payable and accrued expenses	(2,556)	2,696
Payable to related parties	386	2,484
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (16,193)	\$ 22,843
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 126,880	\$ 143,004
Board designated funds	76,977	76,642
Less: Noncash equivalents	(35,416)	(35,351)
TOTAL CASH AND CASH EQUIVALENTS	\$ 168,441	\$ 184,295
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	\$ 1,213	\$ 25,463

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, Inc. (“AMP”) 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 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV1's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV1 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV1 has elected to follow subsequent private-sector guidance.

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV1 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV1 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

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

Inventory

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 from 15 to 30 years, based on 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.

Board Designated Funds

Due to new environmental regulations that may affect the operation of the units, OMEGA JV1's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation.

Regulatory Assets

In accordance with FASB guidance, *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 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:

	2011	2010
Deferral of expenses related to asset retirement obligations	<u>\$ 62,539</u>	<u>\$ 57,861</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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	<u>9,000</u>	<u>100.00%</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

REVENUES AND EXPENSES

OMEGA JV1 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with OMEGA JV1's principal ongoing operations. The principal operating revenues of OMEGA JV1 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues 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. Periodically OMEGA JV1 will distribute earnings to its participants based on available operating cash. These distributions are approved by the Board of Participants.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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,		Risks
	2011	2010	
Checking	\$ 145,786	\$ 161,643	Custodial credit
Certificate of Deposit	35,416	35,351	Custodial credit
Government Money Market Mutual Fund	<u>22,655</u>	<u>22,652</u>	Interest rate, credit
Totals	<u>\$ 203,857</u>	<u>\$ 219,646</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV1's deposits may not be returned to it. OMEGA JV1 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit as stated above. OMEGA JV1's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010, there were no deposits or temporary investments exposed to custodial credit risk, as amounts do not exceed FDIC limits.

Credit Risk

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

OMEGA JV1 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV1 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, 2011 and 2010, OMEGA JV1's investments were rated as follows:

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

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV1's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2011, OMEGA JV1's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	\$ <u>22,655</u>	36

As of December 31, 2010, OMEGA JV1's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	\$ <u>22,652</u>	38

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 – ELECTRIC PLANT

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

	2011			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	\$ 527,935	\$ -	\$ (1,213)	\$ 526,722
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	562,935	-	(1,213)	561,722
Less: Accumulated depreciation	(311,430)	(22,967)	-	(334,397)
Electric Plant, Net	\$ 251,505	\$ (22,967)	\$ (1,213)	\$ 227,325
	2010			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	\$ 502,472	\$ -	\$ 25,463	\$ 527,935
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	537,472	-	25,463	562,935
Less: Accumulated depreciation	(292,118)	(19,312)	-	(311,430)
Electric Plant, Net	\$ 245,354	\$ (19,312)	\$ 25,463	\$ 251,505

During 2011 and 2010, OMEGA JV1 recorded an adjustment to electric plant to reflect the revised estimate of the ARO (Note 4).

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:

	2011			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 76,642	\$ 2,640	\$ (2,305)	\$ 76,977
	2010			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 61,423	\$ 2,964	\$ 12,255	\$ 76,642

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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. OMEGA JV1 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2011 and 2010.

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 OMEGA JV1'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:

	2011	2010
Plant in service	\$ 561,722	\$ 562,935
Accumulated depreciation	(334,397)	(311,430)
Total Net Assets Invested in Capital Assets	\$ 227,325	\$ 251,505

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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.

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. OMEGA JV1's engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV1 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at \$200,000 to \$300,000.

Many metropolitan and industrialized counties in Ohio have become nonattainment areas under the new fine particulate matter ambient air quality standards and will likely become a nonattainment area for ozone. This may 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 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 and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV1 had a payable to AMP of \$9 and \$9 at December 31, 2011 and 2010, respectively.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 – RELATED PARTY TRANSACTIONS (cont.)

- As OMEGA JV1's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$72,450 and \$65,486 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV1 had a payable to MESA for \$5,484 and \$4,700 at December 31, 2011 and 2010, respectively.
- OMEGA JV1 uses the Energy Control Center for dispatching electrical control. OMEGA JV1 had a payable to the Energy Control Center for \$1,088 and \$1,487 at December 31, 2011 and 2010, respectively. The expenses related to dispatching electrical control were \$10,455 and \$12,182 for the years ended December 31, 2011 and 2010, 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 \$9,907 and \$8,226 for the years ended December 31, 2011 and 2010, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of OMEGA JV1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the OMEGA JV1’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 1
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV1 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV2's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV2 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Ohio Municipal Electric Generation Agency Joint Venture 2 as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

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, 2011 and 2010. 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 statements of net assets; the statements of revenues, expenses and changes in net assets; and the statements of cash flows.

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

Financial Highlights

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

Condensed Statements of Net Assets

	2011	2010	2009
Assets			
Electric Plant & Equipment, net of accumulated depreciation	\$ 26,526,010	\$ 28,802,481	\$ 31,181,426
Regulatory assets	1,276,791	1,179,351	1,291,634
Restricted assets	521,585	866,058	852,562
Board Designated Funds	1,859,701	1,851,614	-
Current assets	1,498,957	1,615,258	3,227,736
Total Assets	\$ 31,683,044	\$ 34,314,762	\$ 36,553,358
Net Assets and Liabilities			
Net assets - invested in capital assets	\$ 26,526,010	\$ 28,802,481	\$ 31,181,426
Net assets - restricted	521,585	866,058	852,562
Net assets - unrestricted	2,151,179	2,308,387	2,446,395
Total net assets	29,198,774	31,976,926	34,480,383
Current liabilities	269,989	156,117	251,204
Noncurrent liabilities	2,214,281	2,181,719	1,821,771
Total Net Assets and Liabilities	\$ 31,683,044	\$ 34,314,762	\$ 36,553,358

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

2011 vs. 2010

Total assets were \$31,683,044 and \$34,314,762 on December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,718. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation.

Electric plant and equipment, net of accumulated depreciation was \$26,526,010 and \$28,802,481 at year-end 2011 and 2010, respectively, a decrease of \$2,276,471. This decrease was the result of a \$2,894,419 increase in accumulated depreciation and a decrease of \$38,418 in the estimated value of Asset Retirement Obligation (ARO) assets offset, in part, by an increase in utility assets of \$656,366. The cost associated with the ARO included in the cost of electric plant for 2011 was \$1,280,582 versus \$1,319,000 in 2010. Estimated values of ARO obligations were prepared internally.

Regulatory assets were \$1,276,791 and \$1,179,351 at December 31, 2011 and 2010, respectively, an increase of \$97,440. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net assets as the corresponding expense is realized.

Restricted assets totaled \$521,585 and \$866,058 at December 31, 2011 and December 31, 2010, respectively. This was a decrease of \$344,473 and was the result of decreases in cash collected from generation revenues to cover future overhaul expenses of \$329,723 and earnings on trust investments of \$14,750.

Current assets were \$1,498,957 and \$1,615,258 as of December 31, 2011 and 2010, respectively, a decrease of \$116,301. In 2011, cash and temporary investments and accrued interest receivable decreased \$190,389, accounts receivable increased \$160,382, inventories decreased \$46,314 and prepaid expenses decreased \$40,056 versus 2010 levels.

Total liabilities and net assets were \$31,683,044 and \$34,314,762 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,718. This decrease was primarily the result of current period losses of \$2,778,152.

Total net assets were \$29,198,774 and \$31,976,926 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,778,152. Net assets – invested in capital assets were \$26,526,010 and \$28,802,481 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,276,471. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net assets were \$521,585 and \$866,058 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$344,473, reflecting the decrease in Cash-Restricted Overhaul and Short Term Trust Investments. Unrestricted net assets were \$2,151,179 and \$2,308,387 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$157,208.

Noncurrent liabilities were \$2,214,281 and \$2,181,719 at December 31, 2011 and December 31, 2010, respectively, an increase of \$32,562. This was primarily a result of

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

the \$8,087 increase in estimated ARO and an increase in regulatory liabilities of \$24,475 versus 2010 levels. AROs were estimated to be \$1,859,701 and \$1,851,614 at year end 2011 and 2010, respectively.

Current liabilities were \$269,989 and \$156,117 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$113,872. This increase was primarily the result of increased accounts payable obligations to third party vendors offset, in part, by decreased accruals.

2010 vs. 2009

Total assets were \$34,314,762 and \$36,553,358 on December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,238,596. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation.

Electric plant and equipment, net of accumulated depreciation was \$28,802,481 and \$31,181,426 at year-end 2010 and 2009, respectively, a decrease of \$2,378,945. This decrease was the result of a \$2,858,827 increase in accumulated depreciation offset, in part, by an increase of \$479,882 in the estimated value of ARO assets. The cost associated with the ARO included in the cost of electric plant for 2010 was \$1,319,000 versus \$839,118 in 2009. Estimated values of ARO obligations were prepared by independent engineering consultants. These projections increased substantially over prior year estimates due to higher projected cleanup and restoration expenses. The net present value of these obligations increased further as a result of decreased interest rates at year-end 2010 versus 2009.

Regulatory assets were \$1,179,351 and \$1,291,634 at December 31, 2010 and 2009, respectively, a decrease of \$112,283. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net assets as the corresponding expense is realized.

Restricted assets totaled \$866,058 and \$852,562 at December 31, 2010 and December 31, 2009, respectively. This was an increase of \$13,496 and was the result of increases in cash collected from generation revenues to cover future overhaul expenses of \$11,587 and earnings on trust investments of \$1,909.

Current assets were \$1,615,258 and \$3,227,736 as of December 31, 2010 and 2009, respectively, a decrease of \$1,612,478. In 2010, cash and temporary investments decreased \$1,552,646 primarily due to the establishment of an asset retirement maintenance reserve of \$1,851,614 in 2010. Accounts receivable decreased \$91,296, inventories decreased \$1,890 and prepaid expenses increased \$33,354 versus 2009 levels.

Total liabilities and net assets were \$34,314,762 and \$36,553,358 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,238,596. This decrease was primarily the

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

result of current period losses of \$2,503,457 offset, in part, by a \$348,361 increase in estimated ARO liabilities.

Total net assets were \$31,976,926 and \$34,480,383 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,503,457. Net assets – invested in capital assets were \$28,802,481 and \$31,181,426 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,378,945. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net assets were \$866,058 and \$852,562 at December 31, 2010 and December 31, 2009, respectively, an increase of \$13,496, reflecting the increase in Cash-Restricted Overhaul and Short Term Trust Investments. Unrestricted net assets were \$2,308,387 and \$2,446,395 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$138,008.

Noncurrent liabilities were \$2,181,719 and \$1,821,771 at December 31, 2010 and December 31, 2009, respectively, an increase of \$359,948. This was primarily a result of the \$348,361 increase in estimated ARO liabilities versus 2009 levels. AROs were estimated to be \$1,851,614 and \$1,503,253 at year end 2010 and 2009, respectively.

Current liabilities were \$156,117 and \$251,204 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$95,087. This decrease was primarily the result of reduced accounts payable obligations to third party vendors.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 2,305,361	\$ 1,806,083	\$ 1,810,228
Operating expenses	<u>5,201,771</u>	<u>4,412,607</u>	<u>4,480,555</u>
Operating Loss	<u>\$ (2,896,410)</u>	<u>\$ (2,606,524)</u>	<u>\$ (2,670,327)</u>
Nonoperating revenue			
Investment income	\$ 3,459	\$ 9,844	\$ 9,399
Future recoverable costs	<u>114,799</u>	<u>91,763</u>	<u>238,949</u>
Non operating revenue	<u>118,258</u>	<u>101,607</u>	<u>248,348</u>
Loss before distributions	(2,778,152)	(2,504,917)	(2,421,979)
Contributions from participants	<u>-</u>	<u>1,460</u>	<u>-</u>
Change in Net Assets	<u>\$ (2,778,152)</u>	<u>\$ (2,503,457)</u>	<u>\$ (2,421,979)</u>

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 revenues do not include any bond payments by OMEGA JV2 financing members in their rates. Financing participants make these payments directly to AMP.

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

Electric revenues in 2011 were \$2,305,361 versus \$1,806,083 in 2010, an increase of \$499,278. Electric revenues in 2010 were \$1,806,083 versus \$1,810,228 in 2009, a decrease of \$4,145.

OMEGA JV2 operating expenses in 2011 were \$5,201,771 versus \$4,412,607 in 2010, an increase of \$789,164. This increase in expenses was due to a \$498,309 increase in fuel, a \$91,720 increase in utilities, a \$113,166 increase in maintenance, a \$90,138 increase in MESA services and a \$29,733 increase in insurance offset, in part, by a \$16,685 decrease in transmission and a \$54,635 decrease in professional services. OMEGA JV2 operating expenses in 2010 were \$4,412,607 versus \$4,480,555 in 2009, a decrease of \$67,948. This decrease in expenses was due primarily to a \$8,969 decrease in fuel, a \$109,437 decrease in non-cash depreciation expense and a \$37,750 decrease in non-cash ARO accretion expense offset, in part, by a \$4,948 increase in professional services and a \$89,358 increase in MESA services.

Investment income in OMEGA JV2 in 2011 was \$3,459 versus \$9,844 in 2010, a decrease of \$6,385. Investment income in OMEGA JV2 in 2010 was \$9,844 versus \$9,399 in 2009, an increase of \$445. Investment income is earned 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, short-term commercial paper or within the trust agency's money market account.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and temporary investments	\$ 822,795	\$ 1,013,108
Receivables from participants	214,315	53,856
Accrued interest receivable	5	81
Inventory	392,226	438,540
Prepaid expenses	69,617	109,673
Total Current Assets	1,498,957	1,615,258
NONCURRENT ASSETS		
Restricted Assets		
Funds held by trustee - reserve and contingency fund	521,203	535,953
Overhaul fund	382	330,105
Other Assets		
Board designated funds	1,859,701	1,851,614
Regulatory assets	1,276,791	1,179,351
Electric Plant and Equipment		
Electric generators	58,584,008	57,966,060
Accumulated depreciation	(32,057,998)	(29,163,579)
Total Non-Current Assets	30,184,087	32,699,504
TOTAL ASSETS	\$ 31,683,044	\$ 34,314,762
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 216,295	\$ 83,777
Payable to related parties	53,694	72,340
Total Current Liabilities	269,989	156,117
NONCURRENT LIABILITIES		
Regulatory liabilities	354,580	330,105
Asset retirement obligations	1,859,701	1,851,614
Total Noncurrent Liabilities	2,214,281	2,181,719
Total Liabilities	2,484,270	2,337,836
NET ASSETS		
Invested in capital assets	26,526,010	28,802,481
Restricted	521,585	866,058
Unrestricted	2,151,179	2,308,387
Total Net Assets	29,198,774	31,976,926
TOTAL LIABILITIES AND NET ASSETS	\$ 31,683,044	\$ 34,314,762

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Electric revenue	\$ 2,305,361	\$ 1,806,083
OPERATING EXPENSES		
Related party services	706,813	616,675
Depreciation	2,894,419	2,858,827
Accretion of asset retirement obligation	63,864	72,525
Fuel	566,802	68,493
Transmission	-	16,685
Maintenance	473,649	360,483
Utilities	211,047	119,327
Insurance	227,233	197,500
Professional services	15,463	70,098
Other operating expenses	42,481	31,994
Total Operating Expenses	5,201,771	4,412,607
Operating Loss	(2,896,410)	(2,606,524)
NONOPERATING REVENUES		
Investment income	3,459	9,844
Future recoverable costs	114,799	91,763
Total Non-Operating Revenues	118,258	101,607
Loss Before Contributions	(2,778,152)	(2,504,917)
CONTRIBUTIONS FROM PARTICIPANTS	-	1,460
Change in net assets	(2,778,152)	(2,503,457)
NET ASSETS, Beginning of Year	31,976,926	34,480,383
NET ASSETS, END OF YEAR	\$ 29,198,774	\$ 31,976,926

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 2,144,902	\$ 1,908,730
Cash paid to related parties for personnel services	(726,682)	(597,239)
Cash payments to suppliers and related parties for goods and services	<u>(1,292,088)</u>	<u>(1,010,567)</u>
Net Cash Provided by Operating Activities	<u>126,132</u>	<u>300,924</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(656,366)	-
Contributions from participants	<u>-</u>	<u>1,460</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(656,366)</u>	<u>1,460</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to overhaul fund	329,723	(11,587)
Funds held by trustee	535,953	-
Investments purchased	(50,000)	(532,171)
Transfer to restricted cash	(521,203)	-
Investments sold and matured	530,262	525,000
Investment income received	<u>3,535</u>	<u>10,080</u>
Net Cash Provided by (Used in) Investing Activities	<u>828,270</u>	<u>(8,678)</u>
 Net Change in Cash and Cash Equivalents	 298,036	 293,706
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>2,334,460</u>	 <u>2,040,754</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 2,632,496</u>	 <u>\$ 2,334,460</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,896,410)	\$ (2,606,524)
Depreciation	2,894,419	2,858,827
Accretion of asset retirement obligation	63,864	72,525
Changes in assets and liabilities		
Receivables from participants	(160,459)	91,060
Inventory	46,314	1,890
Prepaid expenses	40,057	(33,354)
Accounts payable and accrued expenses	132,518	(114,523)
Payable to related parties	(18,646)	19,436
Regulatory liabilities	24,475	11,587
	\$ 126,132	\$ 300,924
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 822,795	\$ 1,013,108
Funds held by trustee - reserve and contingency fund	521,203	535,953
Restricted	521,203	-
Overhaul fund	382	330,105
Board designated funds	1,859,701	1,851,614
Total Cash Accounts	3,725,284	3,730,780
Less: Non-cash equivalents		
Temporary investments	(50,000)	(530,262)
Funds held by Trustee	-	(535,953)
Restricted	(521,203)	-
Overhaul fund	(382)	(330,105)
Total Non-cash equivalents	(571,585)	(1,396,320)
	\$ 3,153,699	\$ 2,334,460
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	\$ (38,418)	\$ 479,882

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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, Inc. (“AMP”). On December 27, 2001, OMEGA JV2 purchased 138.650 MW of electric plant generating units (the “Project”) from AMP. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV2’s financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV2 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV2 has elected to follow subsequent private-sector guidance.

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.

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Deposits and Investments (cont.)

OMEGA JV2 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV2 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

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

Inventory

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

Restricted Assets

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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.

Board Designated Funds

Due to new environmental regulations that may affect the operation of the units, OMEGA JV2's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation.

Regulatory Assets and Liabilities

In accordance with FASB guidance, *Accounting for the Effects of Certain Types of Regulation*, 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. 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:

	<u>2011</u>	<u>2010</u>
Deferral of expenses related to asset retirement obligations	<u>\$ 1,276,791</u>	<u>\$ 1,179,351</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Regulatory Assets and Liabilities (cont.)

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.

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 of 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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
South Vienna	123	0.09%
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.05
Arcanum	44	0.03
Custar	4	0.00*
Totals	134,081	<u>100.00%</u>
Reserves	<u>4,569</u>	
kW Capacity of the Project	<u>138,650</u>	

* Represents less than 0.01%

REVENUE AND EXPENSES

OMEGA JV2 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV2's principal ongoing operations. The principal operating revenues of OMEGA JV2 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues 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, excluding 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 to retire the Project financing obligations (Note 10). Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial*

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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		Risks
	December 31		
	2011	2010	
Checking	\$ 3,132,060	\$ 2,642,547	Custodial credit
Certificates of Deposits	50,000	530,262	Custodial credit
Government Money Market Mutual Fund	22,021	557,971	Credit and interest rate
Totals	\$ 3,204,081	\$ 3,730,780	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. OMEGA JV2's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010, there were no deposits exposed to custodial credit risk.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

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 ORC. 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, 2011 and 2010, OMEGA JV2's investments were rated as follows:

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

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV2's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2011, OMEGA JV2's investments were as follows:

Investment	Weighted Average Maturity (Days)	Fair Value
Government Money Market Mutual Fund	36	\$ 22,021
		\$ 22,021

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2010, OMEGA JV2's investments were as follows:

Investment	Weighted Average Maturity (Days)	Fair Value
Government Money Market Mutual Fund	50	\$ 535,953
Government Money Market Mutual Fund	38	22,018
		\$ 557,971

NOTE 3 – RESTRICTED ASSETS

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

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

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

Under the terms of the Agreement, if the balance of the fund is less than the required minimum, then AMP 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:

	2011	2010
Restricted Assets		
Reserve and Contingency Fund	\$ 521,203	\$ 535,953
Overhaul Fund	382	330,105
Total Restricted Assets	\$ 521,585	\$ 866,058

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2011				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	\$ 57,966,060	\$ 656,366	\$ -	\$ (38,418)	\$ 58,584,008
Less: Accumulated depreciation	(29,163,579)	(2,894,419)	-	-	(32,057,998)
Electric Plant and Equipment, Net	<u>\$ 28,802,481</u>	<u>\$(2,238,053)</u>	<u>\$ -</u>	<u>\$ (38,418)</u>	<u>\$ 26,526,010</u>
	2010				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	\$ 57,486,178	\$ -	\$ -	\$ 479,882	\$ 57,966,060
Vehicles	33,100	-	(33,100)	-	-
Total Electric Plant and Equipment in Service	57,519,278	-	(33,100)	479,882	57,966,060
Less: Accumulated depreciation	(26,337,852)	(2,858,827)	33,100	-	(29,163,579)
Electric Plant and Equipment, Net	<u>\$ 31,181,426</u>	<u>\$ (2,858,827)</u>	<u>\$ -</u>	<u>\$ 479,882</u>	<u>\$ 28,802,481</u>

During 2011 and 2010, OMEGA JV2 recorded an adjustment to electric plant and equipment to reflect the revised estimate of the ARO (Note 5).

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 activities at the sites.

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

	2011			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,851,614</u>	<u>\$ (55,777)</u>	<u>\$ 63,864</u>	<u>\$ 1,859,701</u>
	2010			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,503,253</u>	<u>\$ 275,836</u>	<u>\$ 72,525</u>	<u>\$ 1,851,614</u>

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. OMEGA JV2 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2011 and 2010.

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.

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 – 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 OMEGA JV2'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:

	2011	2010
Electric Plant and Equipment Assets	\$ 57,303,426	\$ 56,647,060
Asset Retirement Obligation	1,280,582	1,319,000
Accumulated Depreciation	(32,057,998)	(29,163,579)
 Total Net Assets Invested in Capital Assets	 \$ 26,526,010	 \$ 28,802,481

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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.

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. OMEGA JV2's engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV2 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at \$100,000 to \$300,000.

Many metropolitan and industrialized counties in Ohio have become nonattainment areas under the new fine particulate matter ambient air quality standards and will likely become a nonattainment area for ozone. This may 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) and Medina (Seville) counties are non-attainment areas for 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.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 8 – RISK MANAGEMENT

OMEGA JV2 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV2 incurred expenses related to these services in the amount of \$172,383 and \$196,174 for the years ended December 31, 2011 and 2010, respectively, and had a payable due to AMP of \$20,112 and \$24,182 at December 31, 2011 and 2010, respectively, for these services.
 - As OMEGA JV2's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$534,429 and \$420,501 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV2 had a payable to MESA for \$33,582 and \$48,158 at December 31, 2011 and 2010, respectively.
 - Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of \$211,047 and \$119,327 for these services for the years ended December 31, 2011 and 2010, respectively.
-

NOTE 10 – ACQUISITION OF THE PROJECT

Pursuant to the Agreement, OMEGA JV2 purchased the Project and assumed related contracts from AMP 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 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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 – ACQUISITION OF THE PROJECT (cont.)

The OMEGA JV2 Bonds were not issued by OMEGA JV2 and the financing participants make debt service payments directly to AMP. Therefore, the OMEGA JV2 Bonds are not recorded in the financial statements of OMEGA JV2.

On January 1, 2011 the OMEGA JV2 Bonds were called and redeemed in full.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of OMEGA JV2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the OMEGA JV2’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 2
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV2 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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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 statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV4's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV4 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Ohio Municipal Electric Generation Agency Joint Venture 4 as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

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, 2011 and 2010. 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, 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

	2011	2010	2009
Assets			
Transmission line, net of accumulated depreciation	\$ 1,373,148	\$ 1,471,423	\$ 1,569,698
Board designated funds	100,000	50,000	-
Current assets	535,155	569,268	587,251
Total Assets	\$ 2,008,303	\$ 2,090,691	\$ 2,156,949
Net Assets and Liabilities			
Net assets - invested in capital assets	\$ 1,373,148	\$ 1,471,423	\$ 1,569,698
Net assets - unrestricted	622,416	603,757	571,325
Current liabilities	12,739	15,511	15,926
Total Net Assets and Liabilities	\$ 2,008,303	\$ 2,090,691	\$ 2,156,949

2011 vs. 2010

Total assets were \$2,008,303 and \$2,090,691 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$82,388. This decrease in 2011 total assets is due primarily to accumulated depreciation of \$98,275 due to yearly depreciation expense, offset by an increase in cash.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

Transmission lines, net of accumulated depreciation were \$1,373,148 and \$1,471,423 at December 31, 2011 and December 31, 2010 respectively, a decrease of \$98,275. This decrease was a result of yearly depreciation recorded.

Current assets and board designated funds were \$635,155 and \$619,268 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$15,887. This increase was mainly a result of an increase in Maintenance Reserve of \$50,000, recorded due to money earmarked for decommissioning of power lines. In 2011 cash and temporary investments decreased by \$33,922, primarily as a result of the timing of cash paid to suppliers and investments sold, as well as cash specifically earmarked to decommission power lines.

Total net assets and liabilities were \$2,008,303 and \$2,090,691 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$82,388.

Total net assets were \$1,995,564 and \$2,075,180 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$79,616 which resulted from the operating income of \$92,735 offset by distributions to participants of \$172,351. Net assets – invested in capital assets were \$1,373,148 and \$1,471,423 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$98,275. The decrease resulted from decrease in utility plant assets, due to depreciation. Unrestricted net assets were \$622,416 and \$603,757 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$18,659 due to the change in current assets and current liabilities.

Current liabilities were \$12,739 and \$15,511 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,772 due to the timing of expenses paid to suppliers, offset by a decrease in accruals due to decreased audit fees.

2010 vs. 2009

Total assets were \$2,090,691 and \$2,156,949 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$66,258. This decrease in 2010 total assets is due primarily to accumulated depreciation of \$98,275 due to yearly depreciation expense, offset by an increase in the maintenance reserve.

Transmission lines, net of accumulated depreciation were \$1,471,423 and \$1,569,698 at December 31, 2010 and December 31, 2009 respectively, a decrease of \$98,275. This decrease was a result of yearly depreciation recorded.

Current assets and board designated funds were \$619,268 and \$587,251 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$32,017. This increase was mainly a result of an increase in Maintenance Reserve of \$50,000, recorded due to money earmarked for decommissioning of power lines. In 2010 cash and temporary investments decreased by \$18,223, primarily as a result of the timing of cash paid to

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

suppliers and investments sold, as well as cash specifically earmarked to decommission power lines.

Total net assets and liabilities were \$2,090,691 and \$2,156,949 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$66,258.

Total net assets were \$2,075,180 and \$2,141,023 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$65,843 which resulted from the operating income of \$106,508 offset by distributions to participants of \$172,351. Net assets – invested in capital assets were \$1,471,423 and \$1,569,698 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$98,275. The decrease resulted from decrease in utility plant assets, due to depreciation. Unrestricted net assets were \$603,757 and \$571,325 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$32,432 due to the change in current assets and current liabilities.

Current liabilities were \$15,511 and \$15,926 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$415 due to the timing of expenses paid to suppliers, offset by an increase in accruals due to increased audit fees.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 270,000	\$ 270,000	\$ 270,000
Operating expenses	<u>177,968</u>	<u>165,313</u>	<u>165,533</u>
Operating Income	<u>92,032</u>	<u>104,687</u>	<u>104,467</u>
Nonoperating revenues			
Investment income	<u>703</u>	<u>1,821</u>	<u>1,508</u>
Income Before Distributions	<u>92,735</u>	<u>106,508</u>	<u>105,975</u>
Distributions to participants	<u>172,351</u>	<u>172,351</u>	<u>172,351</u>
Change in Net Assets	<u>\$ (79,616)</u>	<u>\$ (65,843)</u>	<u>\$ (66,376)</u>

Transmission revenues in 2011 were \$270,000, unchanged from 2010 and 2009 levels.

Operating expenses in 2011 were \$177,968 versus \$165,313 in 2010, which was an increase of \$12,655. The increase in operating expense in 2011 is mainly due to an increase in MESA services of \$15,329 and an increase of \$1,311 in maintenance which were offset by a decrease in professional services of \$4,983. Operating expenses in 2010 were \$165,313 versus \$165,533 in 2009, which was a decrease of \$220. The decrease in operating expense in 2010 is mainly due to a decrease in professional services, insurance, MESA services and other expenses

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

totaling \$3,466 which were largely offset by increased maintenance expense of \$4,703, due to forestry maintenance performed in 2010 not performed in 2009.

Investment income in 2011 was \$703 versus \$1,821 in 2010, which was a decrease of \$1,118. The decrease was due to a decrease in interest rates. Investment income in 2010 was \$1,821 versus \$1,508 in 2009, which was an increase of \$313. The slight increase was due to an increase in assets under investment.

In 2011, 2010 and 2009, \$172,351 was returned to the participants as a distribution of excess cash. The distribution was authorized by the board of participants.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 510,557	\$ 544,479
Receivables	22,500	22,725
Accrued interest receivable	4	31
Prepaid expenses	2,094	2,033
Total Current Assets	535,155	569,268
NONCURRENT ASSETS		
Utility Plant		
Transmission line	2,640,938	2,640,938
Accumulated depreciation	(1,267,790)	(1,169,515)
Other Assets		
Board designated funds	100,000	50,000
Total Non-Current Assets	1,473,148	1,521,423
TOTAL ASSETS	\$ 2,008,303	\$ 2,090,691
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 9,783	\$ 14,147
Payable to related parties	2,956	1,364
Total Current Liabilities	12,739	15,511
NET ASSETS		
Invested in capital assets	1,373,148	1,471,423
Unrestricted	622,416	603,757
Total Net Assets	1,995,564	2,075,180
TOTAL LIABILITIES AND NET ASSETS	\$ 2,008,303	\$ 2,090,691

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Transmission revenue	\$ 270,000	\$ 270,000
OPERATING EXPENSES		
Related party personnel services	39,059	23,730
Depreciation	98,275	98,275
Maintenance	15,876	14,565
Professional services	8,666	13,649
Other operating expenses	16,092	15,094
Total Operating Expenses	177,968	165,313
Operating Income	92,032	104,687
NONOPERATING REVENUES		
Investment income	703	1,821
Income before Distributions	92,735	106,508
DISTRIBUTIONS TO PARTICIPANTS		
Bryan	(72,387)	(72,387)
Pioneer	(51,705)	(51,705)
Montpelier	(43,088)	(43,088)
Edgerton	(5,171)	(5,171)
Total Distributions	(172,351)	(172,351)
Change in net assets	(79,616)	(65,843)
NET ASSETS, Beginning of Year	2,075,180	2,141,023
NET ASSETS, END OF YEAR	\$ 1,995,564	\$ 2,075,180

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	\$ 270,225	\$ 269,775
Cash paid to related parties for personnel services	(37,467)	(25,078)
Cash paid to suppliers and related parties for goods and services	(45,059)	(42,425)
Net Cash Provided by Operating Activities	187,699	202,272
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to participants	(172,351)	(172,351)
Net Cash Used in Noncapital Financing Activities	(172,351)	(172,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(50,000)	(111,102)
Investments sold and matured	111,102	110,000
Investment income received	730	1,856
Net Cash Provided by Investing Activities	61,832	754
Net Change in Cash and Cash Equivalents	77,180	30,675
CASH AND CASH EQUIVALENTS, Beginning of Year	483,377	452,702
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 560,557	\$ 483,377
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 92,032	\$ 104,687
Depreciation	98,275	98,275
Changes in assets and liabilities		
Receivables	225	(225)
Prepaid expenses	(61)	(50)
Accrued expenses	(4,364)	933
Payable to related parties	1,592	(1,348)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 187,699	\$ 202,272
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 510,557	\$ 544,479
Board designated funds	100,000	50,000
Less: Noncash equivalents	(50,000)	(111,102)
TOTAL CASH AND CASH EQUIVALENTS	\$ 560,557	\$ 483,377

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 4 (“OMEGA JV4”) was organized by four subdivisions of the State of Ohio (the “Participants”) on December 1, 1995, pursuant to a Joint Venture Agreement (the “Agreement”) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Williams County Transmission Project (the “Project”). The Participants are members of American Municipal Power, Inc. (“AMP”). OMEGA JV4 owns and operates the Project. The Project consists of a 69 KV three-phase transmission line located in Williams County, Ohio. During 2011 and 2010 OMEGA JV4 derived a majority of its revenue from two customers. The Agreement continues until 60 days subsequent to the termination or disposition of the Project; provided, however, that each Participant shall remain obligated to pay to OMEGA JV4 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV4’s financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV4 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV4 has elected to follow subsequent private-sector guidance.

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.

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Deposits and Investments (cont.)

OMEGA JV4 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV4 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

Board Designated Funds

OMEGA JV4's Board of Participants have designated funds for the potential decommissioning of transmission lines.

Utility Plant

The transmission line is recorded at cost. Depreciation is provided on the straight-line method from 19 to 30 years, based on the estimated useful life of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When utility plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Utility Plant (cont.)

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 there is no asset retirement obligation associated with the transmission line or utility poles. OMEGA JV4 determined there were no legal requirements currently in place that would mandate special disposal of the utility poles and transmission lines as they are replaced.

Net Assets

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

<u>Municipality</u>	<u>Percent Project Ownership and Entitlement</u>
Bryan	42.00%
Pioneer	30.00
Montpelier	25.00
Edgerton	<u>3.00</u>
Totals	<u><u>100.00%</u></u>

REVENUE AND EXPENSES

OMEGA JV4 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with OMEGA JV4's principal ongoing operations. The principal operating revenues of OMEGA JV4 are charges to participants for transmission services. Operating expenses include the cost of transmission services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

REVENUE AND EXPENSES (cont.)

Operating revenues are recognized when transmission service is delivered. OMEGA JV4's rates for transmission service are set by contracts with the customers. Periodically OMEGA JV4 will distribute earnings to its participants based on available operating cash. These distributions are approved by the Board of Participants.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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.

	<u>Carrying Value as of December 31,</u>		<u>Risks</u>
	<u>2011</u>	<u>2010</u>	
Checking	\$ 528,593	\$ 451,416	Custodial credit
Certificates of Deposit	50,000	111,103	Custodial credit
Government Money Market Mutual Fund	<u>31,964</u>	<u>31,960</u>	Interest rate, credit
Totals	<u>\$ 610,557</u>	<u>\$ 594,479</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

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 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV4's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010, there were no deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV4 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV4 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, 2011 and 2010, OMEGA JV4's investments were rated as follows:

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

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV4's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2011, OMEGA JV4's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	\$ <u>31,964</u>	36

As of December 31, 2010, OMEGA JV4's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	\$ <u>31,960</u>	38

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 – UTILITY PLANT

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

	2011		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,640,938	\$ -	\$ 2,640,938
Less: Accumulated depreciation	(1,169,515)	(98,275)	(1,267,790)
Utility Plant, Net	\$ 1,471,423	\$ (98,275)	\$ 1,373,148
	2010		
	Beginning Balance	Additions	Ending Balance
Transmission line	\$ 2,640,938	\$ -	\$ 2,640,938
Less: Accumulated depreciation	(1,071,240)	(98,275)	(1,169,515)
Utility Plant, Net	\$ 1,569,698	\$ (98,275)	\$ 1,471,423

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 net assets invested in capital assets:

	2011	2010
Plant in service	\$ 2,640,938	\$ 2,640,938
Accumulated depreciation	(1,267,790)	(1,169,515)
Total Net Assets Invested in Capital Assets	\$ 1,373,148	\$ 1,471,423

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 2011 was 100% derived from a nonparticipant and 67% derived from sales to a nonparticipant in 2010. The contract with the nonparticipant can be cancelled on or after October 31, 2009 upon written notice six months prior to cancellation. As of December 31, 2011, no notice of cancellation had been received. 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 and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. OMEGA JV4 is self-insured for property damage risks related to its transmission line. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The expenses related to these services were \$15,876 and \$14,565 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV4 had no payable due to AMP as of December 21, 2011 and \$1 due to AMP as of December 31, 2010.
- As OMEGA JV4's agent, AMP 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 \$39,059 and \$23,730 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV4 had a payable to MESA of \$2,956 and \$1,364 at December 31, 2011 and 2010, respectively.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of OMEGA JV4 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the OMEGA JV4’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 4
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV4 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5:

We have audited the accompanying statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV5's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV5 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Ohio Municipal Electric Generation Agency Joint Venture 5 as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

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, 2011 and 2010. 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, 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

Condensed Statement of Net Assets

	2011	2010	2009
Assets			
Restricted assets - current	\$ 7,514,762	\$ 7,437,105	\$ 7,370,060
Other current assets	9,584,660	9,084,088	9,367,381
Total current assets	17,099,422	16,521,193	16,737,441
Restricted assets - noncurrent	3,304,492	3,293,313	3,285,992
Utility plant	127,390,475	132,056,079	136,696,246
Other assets	1,761,326	1,963,197	2,175,890
Total assets	\$ 149,555,715	\$ 153,833,782	\$ 158,895,569
Net Assets and Liabilities			
Net assets - Invested in capital assets	\$ 16,073,288	\$ 17,101,699	\$ 18,198,274
Net assets - restricted	7,938,394	7,791,503	7,666,145
Net assets - unrestricted	(13,390,567)	(14,090,254)	(15,131,592)
Net beneficial interest certificates	106,457,187	110,249,380	113,927,972
Current liabilities	9,598,732	8,971,183	9,351,320
Regulatory and noncurrent liabilities	22,878,681	23,810,271	24,883,450
Total net assets and liabilities	\$ 149,555,715	\$ 153,833,782	\$ 158,895,569

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

2011 vs. 2010

Total assets were \$149,555,715 and \$153,833,782 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$4,278,067. The decrease was due to increased accumulated depreciation as well as decreases in short term investments and short term regulatory assets. These decreases were partially offset by an increase in operating cash and A/R estimate.

Total current assets were \$17,099,422 and \$16,521,193 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$578,229. Cash and temporary investments increased by \$1,360,708 primarily due to an increase in operating cash. Receivables from participants increased by \$520,443 primarily due to change in billing rates and methods. These increases were partially offset by a decrease in regulatory asset of \$1,208,445 due to the recognition of the 2010 regulatory asset recognized in 2011.

Utility plant assets were \$127,390,475 and \$132,056,079 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$4,665,604. Utility plant assets decreased as a result of depreciation. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2011 and 2010.

Noncurrent restricted assets were \$3,304,492 and \$3,293,313 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$11,179. The classification of restricted assets into current and noncurrent categories reflects the timing of anticipated payments from the Certificate Payment Fund and the Reserve and Contingency Fund.

Other assets were \$1,761,326 and \$1,963,197 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$201,871. The decrease was the result of decreases in prepaid bond insurance of \$103,079 and beneficial interest certificates' issuance costs of \$98,792.

Total net assets and liabilities were \$149,555,715 and \$153,833,782 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$4,278,067.

Net assets were \$10,621,115 and \$10,802,948 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$181,833. This decrease is reflective of the \$181,833 loss during operations for 2011.

Net Beneficial Interest Certificates were \$106,457,187 and \$110,249,380 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$3,792,193. This was primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of \$4,705,000 partially offset by the amortization of the unamortized discount of the 2001 bonds.

Current liabilities were \$9,598,732 and \$8,971,183 at December 31, 2011 and December 31, 2010, respectively, an increase of \$627,549. This was due to increases in estimated purchased power of \$534,109 and beneficial interest certificates of \$155,000. These

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

increases were offset by a decrease in total accruals of \$95,503, mainly for licenses and interest.

Regulatory and noncurrent liabilities were \$22,878,681 and \$23,810,271 were December 31, 2011 and December 31, 2010, respectively, a decrease of \$931,590. This was primarily the result of a decrease in regulatory liabilities of \$944,542 due to the change in deferred revenue related to depreciation.

2010 vs. 2009

Total assets were \$153,833,782 and \$158,895,569 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$5,061,787. The decrease was due to increased accumulated depreciation as well as decreases in cash and temporary investments, receivables from participants and prepaid bond insurance. These decreases were partially offset by an increase in regulatory assets and prepaid expenses.

Total current assets were \$16,521,193 and \$16,737,441 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$216,248. Cash and temporary investments decreased by \$1,834,756 primarily due to a decrease in accounts payable. This decrease was partially offset by an increase in regulatory asset of \$1,659,153 due to a change in the amount of purchased power.

Utility plant assets were \$132,056,079 and \$136,696,246 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$4,640,167. Utility plant assets decreased as a result of depreciation. There were no significant capital expenditures or retirements of assets for OMEGA JV5 in 2009 and 2010.

Noncurrent restricted assets were \$3,293,313 and \$3,285,992 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$7,321. The classification of restricted assets into current and noncurrent categories reflects the timing of anticipated payments from the Certificate Payment Fund and the Reserve and Contingency Fund. In the aggregate, restricted assets increased by \$74,366 in 2010.

Other assets were \$1,963,197 and \$2,175,890 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$212,693. The decrease was the result of decreases in prepaid bond insurance of \$108,960 and beneficial interest certificates' issuance costs of \$103,733.

Total net assets and liabilities were \$153,833,782 and \$158,895,569 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$5,061,787.

Net assets were \$10,802,948 and \$10,732,827 at December 31, 2010 and December 31, 2009, respectively, an increase of \$70,121. This increase was due to an increase in

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

unrestricted net assets of \$1,041,338 and restricted net assets of \$125,358 and partially offset by a decrease in invested in capital assets, net of related debt of \$1,096,575.

Net Beneficial Interest Certificates were \$110,249,380 and \$113,927,972 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$3,678,592. This was primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of \$4,570,000 partially offset by the amortization of the unamortized discount of the 2001 bonds.

Current liabilities were \$8,971,183 and \$9,351,320 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$380,137. This was due to decreases in accounts payable of \$472,928 and debt service collected to be reimbursed to members of \$51,412, offset by an increase in beneficial interest certificates of \$135,000.

Regulatory and noncurrent liabilities were \$23,810,271 and \$24,883,450 were December 31, 2010 and December 31, 2009, respectively, a decrease of \$1,073,179. This was primarily the result of a decrease in regulatory liabilities of \$1,070,495 due to the change in deferred revenue related to depreciation and a decrease in short term regulatory liabilities of \$2,684.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 24,453,017	\$ 23,286,082	\$ 24,401,986
Operating expenses	<u>19,082,468</u>	<u>17,557,306</u>	<u>15,517,883</u>
Operating income	<u>5,370,549</u>	<u>5,728,776</u>	<u>8,884,103</u>
Nonoperating income and expense			
Investment income	30,060	45,579	39,335
Interest Expense	(5,615,958)	(5,699,386)	(5,766,098)
Amortization	<u>33,516</u>	<u>(4,848)</u>	<u>(129,238)</u>
Total nonoperating income/(expense)	<u>(5,552,382)</u>	<u>(5,658,655)</u>	<u>(5,856,001)</u>
Net income (loss) before distributions	<u>(181,833)</u>	<u>70,121</u>	<u>3,028,102</u>
Distributions to participants	<u>-</u>	<u>-</u>	<u>(1,254,196)</u>
Change in net assets	<u>\$ (181,833)</u>	<u>\$ 70,121</u>	<u>\$ 1,773,906</u>

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

Operating results

Operating revenues were \$24,453,017 in 2011, an increase of \$1,166,935 over 2010. The increase in revenues was primarily due to increased capacity power of \$1,461,600. This increase was offset by a decrease in green attributes of \$481,481. Operating revenues were \$23,286,082 in 2010, a decrease of \$1,115,904 as compared to 2009. The decrease in revenues was primarily a result of lower hydro power sales and deferred revenues partially offset by higher purchased power sales.

Operating expenses were \$19,082,468 in 2011, an increase of \$1,525,162 from 2010. This increase was primarily the result of a \$933,413 increase in transmission expenses as well as an increase in replacement purchased power of \$1,074,529. These increases were offset by a decrease in green attributes of \$457,682 and maintenance costs of \$149,828. Operating expenses were \$17,557,306 in 2010, an increase of \$2,039,423 from 2009. This increase was primarily the result of a \$1,883,686 increase in transmission and green attribute expenses as well as increases in related party services and maintenance expenses.

Nonoperating expense totaled \$5,552,382 in 2011 and \$5,658,655 in 2010, respectively, a decrease of \$106,273. These decreases were caused primarily by reduced levels of amortization expenses in 2011 as well as decreased interest expense. Nonoperating expense totaled \$5,658,655 in 2010 and \$5,856,001 in 2009, respectively, a decrease of \$197,346. This decrease was caused primarily by reduced levels of amortization expenses in 2010 as well as increased investment income.

There was no distribution to participants in 2011 or 2010. In 2009, \$1,254,196 was returned to participants from amounts previously collected for the purchase of replacement power. This distribution was used to fund billings for replacement power costs in excess of 2009 budget levels.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 7,660,444	\$ 6,299,736
Restricted assets - funds held by trustee	7,514,762	7,437,105
Receivables from participants	1,122,336	601,893
Receivables from related parties	-	79,000
Regulatory asset	450,708	1,659,153
Accrued interest receivable	5	270
Inventory	154,135	127,114
Prepaid expenses	197,032	316,922
Total Current Assets	17,099,422	16,521,193
NONCURRENT ASSETS		
Restricted Assets		
Restricted assets - funds held by trustee	3,304,492	3,293,313
Other Assets		
Prepaid bond insurance, net	842,451	945,530
Beneficial interest certificates' issuance costs, net	918,875	1,017,667
Electric Plant and Equipment		
Electric plant in service	186,288,017	186,311,592
Land	431,881	431,881
Accumulated depreciation	(59,329,423)	(54,687,394)
Total Noncurrent Assets	132,456,293	137,312,589
TOTAL ASSETS	\$ 149,555,715	\$ 153,833,782

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,380,864	\$ 1,060,606
Payable to related parties	322,873	142,403
Regulatory liabilities - current	154,135	124,259
Liabilities Payable From Restricted Assets		
Accrued interest	1,610,119	1,667,461
Debt service collected to be reimbursed to members	1,270,741	1,271,454
Beneficial interest certificates, current	<u>4,860,000</u>	<u>4,705,000</u>
Total Current Liabilities	<u>9,598,732</u>	<u>8,971,183</u>
NONCURRENT LIABILITIES		
Regulatory liabilities	22,778,659	23,723,199
Accrued license fees	100,022	87,072
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(31,573,944)	(32,877,138)
2004 beneficial interest refunding certificates	81,450,000	86,310,000
Unamortized premium	2,878,829	3,482,656
Unamortized cost from defeasance of 1993 beneficial interest certificates	<u>(2,422,698)</u>	<u>(2,791,138)</u>
Total Noncurrent Liabilities	<u>129,335,868</u>	<u>134,059,651</u>
Total Liabilities	<u>138,934,600</u>	<u>143,030,834</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,073,288	17,101,699
Restricted	7,938,394	7,791,503
Unrestricted	<u>(13,390,567)</u>	<u>(14,090,254)</u>
Total Net Assets	<u>10,621,115</u>	<u>10,802,948</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 149,555,715</u>	<u>\$ 153,833,782</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Electric revenue	<u>\$ 24,453,017</u>	<u>\$ 23,286,082</u>
OPERATING EXPENSES		
Purchased power	10,760,980	9,183,597
Related party services	1,252,430	1,173,983
Depreciation	4,665,604	4,662,945
Maintenance	326,219	476,288
Utilities	167,286	163,409
Insurance	507,543	423,200
Professional services	53,022	78,883
Payment in lieu of taxes	840,000	840,000
Other operating expenses	<u>509,384</u>	<u>555,001</u>
Total Operating Expenses	<u>19,082,468</u>	<u>17,557,306</u>
Operating Income	<u>5,370,549</u>	<u>5,728,776</u>
NONOPERATING INCOME AND EXPENSE		
Investment income	30,060	45,579
Interest expense	(5,615,958)	(5,699,386)
Amortization of issuance costs and insurance	(201,871)	(212,693)
Amortization of bond defeasance	(368,440)	(392,340)
Amortization of premium	<u>603,827</u>	<u>600,185</u>
Net Nonoperating Expense	<u>(5,552,382)</u>	<u>(5,658,655)</u>
Change in net assets	(181,833)	70,121
NET ASSETS, Beginning of Year	<u>10,802,948</u>	<u>10,732,827</u>
NET ASSETS, END OF YEAR	<u>\$ 10,621,115</u>	<u>\$ 10,802,948</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 23,932,574	\$ 20,763,172
Cash paid to related parties for personnel services	(1,071,960)	(1,177,665)
Cash payments to suppliers and related parties for goods and services	(12,366,289)	(12,282,633)
Net Cash Provided by Operating Activities	10,494,325	7,302,874
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on beneficial interest certificates	(4,705,000)	(4,570,000)
Interest payments on beneficial interest certificates	(5,673,300)	(4,516,545)
Proceeds from debt service to be refunded to members	1,388,194	1,386,545
Payment of debt service refunded to members	(1,388,774)	(1,386,850)
Acquisition of capital assets	-	(22,778)
Net Cash Used in Capital and Related Financing Activities	(10,378,880)	(9,109,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(9,564,937)	(8,107,795)
Investments sold and matured	12,497,414	8,015,890
Investment income received	30,325	46,364
Net Cash Provided by (Used in) Investing Activities	2,962,802	(45,541)
Net Change in Cash and Cash Equivalents	3,078,247	(1,852,295)
CASH AND CASH EQUIVALENTS, Beginning of Year	4,532,197	6,384,492
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,610,444	\$ 4,532,197

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 5,370,549	\$ 5,728,776
Noncash items in operating income		
Depreciation	4,665,604	4,662,945
Changes in assets and liabilities		
Receivables from participants	(520,443)	289,973
Receivables from related parties	79,000	(79,000)
Regulatory asset	1,208,445	(1,659,153)
Inventory	(27,021)	1,685
Prepaid expenses	119,890	(105,753)
Regulatory liabilities	(914,664)	(1,075,035)
Accounts payable and accrued expenses	319,545	(472,203)
Payable to related parties	180,470	13,323
Accrued license fees	12,950	(2,684)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,494,325</u>	<u>\$ 7,302,874</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 7,660,444	\$ 6,299,736
Funds held by trustee	10,819,254	10,730,418
Total Cash Accounts	18,479,698	17,030,154
Less Non-cash equivalents	<u>(10,869,254)</u>	<u>(12,497,957)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 7,610,444</u>	<u>\$ 4,532,197</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV5's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV5 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV5 has elected to follow subsequent private-sector guidance.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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.

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV5 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV5 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

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

Regulatory Asset

During 2011, the Board of Participants approved an additional increase in rates of \$644,093 due to the higher than expected purchased power costs experienced during the year. This amount will be invoiced to the participants through March 2012. As of December 31, 2011, \$450,708 remains to be billed.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Inventory

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

Restricted Assets

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

OMEGA JV5 Plant

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

OMEGA JV5 plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service of the capital asset may have significantly and unexpectedly declined. If it is determined that 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 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 there is no asset retirement obligation associated with the transmission line or back-up diesel units. Based on these assumptions, OMEGA JV5 has not recorded an asset retirement obligation.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

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 are 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.

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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
Arcanum	352	0.84%
Seville	344	0.82
Brewster	333	0.79
Pioneer	321	0.76
Genoa	288	0.69
Jackson Center	281	0.67
Grafton	269	0.64
Elmore	244	0.58
Woodville	209	0.50
Milan	163	0.39
Bradner	145	0.35
Beach City	128	0.30
Prospect	115	0.27
Haskins	56	0.13
Lucas	54	0.13
Arcadia	46	0.11
South Vienna	45	0.11
Waynesfield	35	0.08
Eldorado	35	0.08
Republic	35	0.08
Custar	24	0.06
Totals	<u>42,000</u>	<u>100.00%</u>

REVENUE AND EXPENSES

OMEGA JV5 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV5's principal ongoing operations. The principal operating revenues of OMEGA JV5 are charges to participants for sales of electric power. Operating expenses include the cost of generation and transmission, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues are recognized when earned as service is delivered. OMEGA JV5's rates for electric power are designed to cover annual operating costs except depreciation. Debt service is billed separately to the Participants. Rates are set annually by the Board of Participants. Periodically OMEGA JV5 will distribute earnings to its participants based on available operating and rate stabilization cash. These distributions are approved by the Board of Participants. No distributions were made in 2010 or 2011.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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		Risks
	December 31,		
	2011	2010	
Checking/Money Market Funds	\$ 7,610,444	\$ 4,522,761	Custodial credit
Certificates of Deposit	50,000	1,767,539	Custodial credit
Government Money Market Mutual Fund	737	8,982,575	Credit, interest rate
Commercial Paper	10,818,517	1,757,279	Credit, interest rate, custodial credit, concentration of credit
Total Cash, Cash Equivalents, and Investments	\$ 18,479,698	\$ 17,030,154	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, OMEGA JV5's deposits may not be returned to it. OMEGA JV5 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV5's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010 there were no deposits exposed to custodial credit risk.

Investments

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

As of December 31, 2011 and 2010, OMEGA JV5's investments were exposed to custodial credit risk as follows:

	2011		2010	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	\$ 10,818,517	\$ 10,818,517	\$ 1,757,279	\$ 1,757,579

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV5 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services at the time of purchase.

As of December 31, 2011, OMEGA JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	Aaa
Commercial Paper	A-1	P-1

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2010, OMEGA JV5's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	Aaa
Commercial Paper	A-1+	P-1

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OMEGA JV5's investment policy requires diversification of investments to limit losses from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security, except for US Treasury and fixed rate non-callable Federal Agency securities.

At December 31, 2011 and 2010, OMEGA JV5's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2011	2010
General Electric	Commercial Paper	51.30%	8.20%
US Bank	Commercial Paper	24.34%	8.16%
Abbey Bank	Commercial Paper	16.22%	-
Intesa Funding	Commercial Paper	8.13%	-

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV5's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Abbey National Bank Commercial Paper	2/15/2012	46	\$ 1,755,175
US Bank Commercial Paper	2/15/2012	46	1,754,175
US Bank Commercial Paper	1/9/2012	9	211,379
US Bank Commercial Paper	1/17/2012	17	667,812
Government Money Market Mutual Fund	n/a	49	737
Intesa Funding, LLC Commercial Paper	2/15/2012	46	879,586
General Electric Corp Commercial Paper	2/15/2012	46	5,550,390
			<u>\$ 10,819,254</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2010, OMEGA JV5's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Government Money Market Mutual Fund	n/a	38	\$ 9,436
Government Money Market Mutual Fund	n/a	50	8,973,139
General Electric Corp Commercial Paper	2/15/2011	46	880,639
US Bank Commercial Paper	2/11/2011	46	<u>876,640</u>
			<u>\$ 10,739,854</u>

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment Fund, and Reserve and Contingency Funds, which are established and maintained pursuant to the fund agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets in the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating expenses to the extent that other operating funds are not sufficient; (iii) to pay for major repairs and maintenance; and (iv) to provide for the decommissioning of the Project.

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2011 and 2010, 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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 – RESTRICTED ASSETS (cont.)

Restricted Net Assets

The following calculation supports the amount of restricted net assets:

	2011	2010
Restricted Assets		
Certificate payment fund	\$ 7,514,762	\$ 7,437,105
Reserve and contingency fund	3,304,492	3,293,313
	10,819,254	10,730,418
Less:		
Current Liabilities Payable From Restricted Assets	(2,880,860)	(2,938,915)
Total Restricted Net Assets	\$ 7,938,394	\$ 7,791,503

NOTE 4 – UTILITY PLANT

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

	2011			
	Beginning Balance	Additions	Deletions	Ending Balance
Electric Plant and Equipment	\$ 186,311,592	\$ -	\$ (23,575)	\$ 186,288,017
Land	431,881	-	-	431,881
Total Utility Plant in Service	186,743,473	-	(23,575)	186,719,898
Less: Accumulated depreciation	(54,687,394)	(4,665,604)	23,575	(59,329,423)
Utility Plant, Net	\$ 132,056,079	\$ (4,665,604)	\$ -	\$ 127,390,475

	2010		
	Beginning Balance	Additions	Ending Balance
Electric Plant and Equipment	\$ 186,288,814	\$ 22,778	\$ 186,311,592
Land	431,881	-	431,881
Total Utility Plant in Service	186,720,695	22,778	186,743,473
Less: Accumulated depreciation	(50,024,449)	(4,662,945)	(54,687,394)
Utility Plant, Net	\$ 136,696,246	\$ (4,640,167)	\$ 132,056,079

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 – PREPAID BOND INSURANCE

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

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 for 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 2004 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 for 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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 statements of net assets 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, 2011, are as follows:

Maturity Date <u>February 15,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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	<u>8,740,000</u>	4.75
	86,310,000	
Less: Current portion	(4,860,000)	
Unamortized premium	2,878,829	
Unamortized cost from defeasance of beneficial interest certificates	<u>(2,422,698)</u>	
Net	<u>\$ 81,906,131</u>	

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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 \$1,270,741 and \$1,271,454 for amounts to be refunded to Participants at December 31, 2011 and 2010, respectively.

The 2001 Beneficial Interest Certificates (the “2001 Certificates”) outstanding at December 31, 2011 are as follows:

<u>Maturity Date</u> <u>February 15,</u>	<u>Maturity</u> <u>Amount</u>	<u>Yield to</u> <u>Maturity</u>
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	<u>2,000,000</u>	5.56
Sub-Total	<u>56,125,000</u>	
Less: Unamortized discount	<u>(31,573,944)</u>	
Net	<u>\$ 24,551,056</u>	

The interest component of the 2001 Certificates will accrete from the date of issuance, compounded semiannually on February 15 and August 15 of each year, commencing February 2002, with the original discount amount of \$42,225,017, and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

Except for the limited step-up provisions in the event of default by a Participant as described in Section 18 of the Joint Venture Agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 Participants, payable from the revenues of their municipal electric systems, subject only to the prior payment of the operation and maintenance expenses thereof. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of OMEGA JV5.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

Based upon unaudited financial information for the years ended December 31, 2011 and 2010, one Participant either was not in compliance or was not able to certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

Annual debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2011 are as follows:

	Principal	Interest	Refunding Debt Service	Totals
2012	\$ 4,860,000	\$ 4,172,150	\$ 1,373,048	\$ 10,405,198
2013	5,105,000	3,923,025	1,373,348	10,401,373
2014	5,355,000	3,661,525	1,372,560	10,389,085
2015	5,630,000	3,386,900	1,373,648	10,390,548
2016	6,050,000	3,094,900	1,391,854	10,536,754
2017 – 2021	34,320,000	10,595,250	6,836,101	51,751,351
2022 – 2026	30,890,868	17,789,507	4,086,627	52,767,002
2027 – 2030	7,999,115	26,295,885	-	34,295,000
Totals	<u>\$ 100,209,983</u>	<u>\$ 72,919,142</u>	<u>\$ 17,807,186</u>	<u>\$ 190,936,311</u>

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

	December 31, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	\$ 24,551,056	\$ 30,148,516	\$ 23,247,862	\$ 22,480,617
2004 Certificates	86,310,000	90,472,168	91,706,518	94,529,862

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(32,877,138)	-	1,303,194	(31,573,944)
	<u>23,247,862</u>	<u>-</u>	<u>1,303,194</u>	<u>24,551,056</u>
2004 certificates	91,015,000	-	(4,705,000)	86,310,000
Less: Current maturities	(4,705,000)	(4,860,000)	4,705,000	(4,860,000)
Unamortized premium	3,482,656	-	(603,827)	2,878,829
Unamortized loss from refunding beneficial interest certificates	(2,791,138)	-	368,440	(2,422,698)
	<u>87,001,518</u>	<u>(4,860,000)</u>	<u>(235,387)</u>	<u>81,906,131</u>
Regulatory liabilities	23,723,199	-	(944,540)	22,778,659
Accrued license fees	<u>87,072</u>	<u>-</u>	<u>12,950</u>	<u>100,022</u>
Totals	<u>\$ 134,059,651</u>	<u>\$ (4,860,000)</u>	<u>\$ 136,217</u>	<u>\$ 129,335,868</u>
	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(34,111,391)	-	1,234,253	(32,877,138)
	<u>22,013,609</u>	<u>-</u>	<u>1,234,253</u>	<u>23,247,862</u>
2004 certificates	95,585,000	-	(4,570,000)	91,015,000
Less: Current maturities	(4,570,000)	(4,705,000)	4,570,000	(4,705,000)
Unamortized premium	4,082,841	-	(600,185)	3,482,656
Unamortized loss from refunding beneficial interest certificates	(3,183,478)	-	392,340	(2,791,138)
	<u>91,914,363</u>	<u>(4,705,000)</u>	<u>(207,845)</u>	<u>87,001,518</u>
Regulatory liabilities	24,793,694	-	(1,070,495)	23,723,199
Accrued license fees	<u>89,756</u>	<u>-</u>	<u>(2,684)</u>	<u>87,072</u>
Totals	<u>\$ 138,811,422</u>	<u>\$ (4,705,000)</u>	<u>\$ (46,771)</u>	<u>\$ 134,059,651</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Regulatory liabilities at December 31 are as follows:

	2011	2010
Debt service billed to Participants for Certificates in excess of related expenses	\$ 21,159,590	\$ 22,115,308
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,619,069	1,607,891
Inventories billed to Participants	154,135	124,259
Total Regulatory Liabilities	22,932,794	23,847,458
Current portion	(154,135)	(124,259)
Noncurrent Portion	\$ 22,778,659	\$ 23,723,199

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 OMEGA JV5's policy to use restricted resources first, then unrestricted resources as they are needed.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 – NET ASSETS (cont.)

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

	2011	2010
Plant assets	\$ 186,288,017	\$ 186,311,592
Land	431,881	431,881
Accumulated depreciation	(59,329,423)	(54,687,394)
Sub-Totals	127,390,475	132,056,079
Related debt:		
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount – 2001 Beneficial interest certificates	(31,573,944)	(32,877,138)
2004 beneficial interest certificates	81,450,000	86,310,000
Unamortized premium – 2004 Beneficial interest certificates	2,878,829	3,482,656
Unamortized defeasance costs – 1993 Beneficial interest certificates	(2,422,698)	(2,791,138)
Current portion – Beneficial interest certificates	4,860,000	4,705,000
Sub-Totals	111,317,187	114,954,380
Total Net Assets Invested In Capital Assets, Net of Related Debt	\$ 16,073,287	\$ 17,101,699

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. The OMEGA JV5 engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV5 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at \$100,000 to \$300,000.

Many metropolitan and industrialized counties in Ohio have become non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This may 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) County is a non-attainment area 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 this area.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 9 – COMMITMENTS AND CONTINGENCIES (cont.)

OTHER COMMITMENTS

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

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2011 and 2010 was \$235,488 and \$286,185, respectively. OMEGA JV5's payables to AMP as of December 31, 2011 and 2010 were \$234,451 and \$34,659, respectively.
- As OMEGA JV5's agent, AMP purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2011 and 2010 amounted to \$10,760,980 and \$9,183,597, respectively. OMEGA JV5's receivable from AMP as of December 31, 2011 was zero and \$79,000 receivable at December, 31, 2010.
- As OMEGA JV5's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was \$1,016,942 and \$887,798 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV5 had payables to MESA of \$88,422 and \$101,119 at December 31, 2011 and 2010, respectively.
- OMEGA JV5 sold capacity from back-up generating units to AMP's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately \$752,111 and \$702,917 for the years ended December 31, 2011 and 2010.
- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of \$167,286 and \$163,409 for these services for the years ended December 31, 2011 and 2010, respectively.
- OMEGA JV5 had a payable to OMEGA JV6 of zero and \$6,624 as of December 31, 2011 and 2010, respectively for operational activities between the entities.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of OMEGA JV5 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the OMEGA JV5’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 5
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV5 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 6:

We have audited the accompanying statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV6's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV6 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Ohio Municipal Electric Generation Agency Joint Venture 6 as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(Unaudited)

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, 2011 and 2010. 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, 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

	2011	2010	2009
Assets			
Electric plant, net of accumulated depreciation	\$ 7,378,551	\$ 7,735,839	\$ 7,845,267
Regulatory assets	430,145	367,822	294,361
Restricted assets - funds held by trustee	82,517	82,102	80,724
Current assets	1,812,602	1,393,165	994,549
Total Assets	\$ 9,703,815	\$ 9,578,928	\$ 9,214,901
Net Assets and Liabilities			
Net assets - invested in capital assets	\$ 7,378,551	\$ 7,735,839	\$ 7,845,267
Net assets - restricted	82,517	82,102	80,724
Net assets - unrestricted	1,131,481	650,456	442,355
Current liabilities	20,694	24,704	24,470
Asset retirement obligations	1,090,572	1,085,827	822,085
Total Net Assets and Liabilities	\$ 9,703,815	\$ 9,578,928	\$ 9,214,901

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2011 vs. 2010

Total assets were \$9,703,815 and \$9,578,928 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$124,887. This increase is due to cash reserved for maintenance and repairs offset by a decrease in electric plant, net of depreciation, due to yearly depreciation.

Current assets were \$1,812,602 and \$1,393,165 as of December 31, 2011 and December 31, 2010 respectively, an increase of \$419,437. This increase was primarily due to an increase in cash reserved for maintenance and repairs of \$395,082 and a \$99,599 increase in cash and temporary investments. This increase was offset by a decrease in receivables from related parties of \$70,159.

Non current assets were \$7,891,213 and \$8,185,763 as of December 31, 2011 and December 31, 2010 respectively, a decrease of \$294,550. This decrease was due mainly to a decrease in the value of electric plant, net of depreciation of \$357,288, offset by an increase in regulatory assets of \$62,323. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense per FASB guidance. 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. Upon repayment of the bonds, any unused funds will revert to the financing participants of OMEGA JV6. Restricted assets were \$82,517 and \$82,102 as of December 31, 2011 and December 31, 2010 respectively, an increase of \$415.

Total net assets and liabilities were \$9,703,815 and \$9,578,928 as of December 31, 2011 and December 31, 2010 respectively, an increase \$124,887. This increase was a result of an increase in unrestricted net assets and an increase in asset retirement obligations offset by a decrease in investments in capital.

Total net assets were \$8,592,549 and \$8,468,397 as of December 31, 2011 and December 31, 2010 respectively, an increase \$124,152. Net assets – invested in capital assets were \$7,378,551 and \$7,735,839 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$357,288. This decrease resulted from the decrease in electric plant, net of depreciation. Restricted net assets were \$82,517 and \$82,102 at December 31, 2011 and December 31, 2010, respectively, an increase of \$415. This increase reflects an increase in trust cash. Unrestricted net assets were \$1,131,481 and \$650,456 at December 31, 2011 and December 31, 2010, respectively, an increase of \$481,025.

Current liabilities were \$20,694 and \$24,704 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$4,010. This resulted from a decrease in levels of payables to related parties for \$1,618 and a decrease in audit fees of \$5,432, offset by an increase in accounts payable of \$3,040.

Non-current liabilities were \$1,090,572 and \$1,085,827 as of December 31, 2011 and December 31, 2010 respectively, an increase \$4,745. This increase was due to the

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increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants.

2010 vs. 2009

Total assets were \$9,578,928 and \$9,214,901 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$364,027. This increase is due to cash reserved for maintenance and repairs and increased receivables from related party offset by a decrease in electric plant, net of depreciation, due to yearly depreciation.

Current assets were \$1,393,165 and \$994,549 as of December 31, 2010 and December 31, 2009 respectively, an increase of \$398,616. This increase was primarily due to an increase in cash reserved for maintenance and repairs of \$461,375 and a \$74,127 increase in receivables from related parties. This increase was offset by a decrease in cash and temporary investments of \$141,534. Cash and temporary assets decreased mainly due to cash reserved for maintenance and repairs, offset by an increase in cash received from participants and proceeds from the sale of investments.

Non current assets were \$8,185,763 and \$8,220,352 as of December 31, 2010 and December 31, 2009 respectively, a decrease of \$34,589. This decrease was due mainly to a decrease in the value of electric plant, net of depreciation of \$109,428, offset by an increase in regulatory assets of \$73,461. Regulatory assets consist of future recoverable costs related to the accumulated depreciation expense on asset retirement obligations and accretion expense per FASB guidance. 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. Upon repayment of the bonds, any unused funds will revert to the financing participants of OMEGA JV6. Restricted assets were \$82,102 and \$80,724 as of December 31, 2010 and December 31, 2009 respectively, an increase of \$1,378.

Total net assets and liabilities were \$9,578,928 and \$9,214,901 as of December 31, 2010 and December 31, 2009 respectively, an increase \$364,027. This increase was a result of an increase in unrestricted net assets and an increase in of asset retirement obligations offset by a decrease in investments in capital.

Total net assets were \$8,468,397 and \$8,368,346 as of December 31, 2010 and December 31, 2009 respectively, a decrease \$100,051. Net assets – invested in capital assets were \$7,735,839 and \$7,845,267 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$109,428. This decrease resulted from the decrease in electric plant, net of depreciation. Restricted net assets were \$82,102 and \$80,724 at December 31, 2010 and December 31, 2009, respectively, an increase of \$1,378. This increase reflects an increase in trust cash. Unrestricted net assets were \$650,456 and \$442,355 at December 31, 2010 and December 31, 2009, respectively, an increase of \$208,101.

Current liabilities were \$24,704 and \$24,470 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$234. This resulted from a decrease in levels of

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payables to related parties for \$3,467, offset by the combination of increased accounts payable of \$1,882 and increased accrued audit fees of \$1,819.

Non-current liabilities were \$1,085,827 and \$822,085 as of December 31, 2010 and December 31, 2009 respectively, an increase \$263,742. This increase was due to the increase in the net present value of estimated ARO obligations for the project, based on the analysis of independent engineering consultants.

The following table summarizes the changes in revenues, expenses and net assets of OMEGA JV6 for the year ended December 31:

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2011	2010	2009
Operating revenues	\$ 746,730	\$ 779,327	\$ 195,396
Operating expenses	695,150	746,110	739,118
Operating Income (Loss)	51,580	33,217	(543,722)
Nonoperating revenue			
Investment income	2,056	3,759	3,509
Future recoverable costs	70,100	61,789	86,255
Nonoperating Revenue	72,156	65,548	89,764
Income before contributions	123,736	98,765	(453,958)
Contributions from participants	416	1,286	5,399
Change in Net Assets	\$ 124,152	\$ 100,051	\$ (448,559)

Rates for electric power are set by OMEGA JV6's Board of Participants and are intended to cover budgeted operating expense (excluding depreciation). OMEGA JV6 does not include any bond payments by OMEGA JV6's financing members in their rates, as these debt service payments are made directly to AMP. In 2007, OMEGA JV6 was authorized by the Internal Revenue Service to issue \$3.5 million in Clean Renewable Energy Bonds that could be used to expand the output of the existing wind farm by installing one additional wind turbine. Although the original authorization was to expire December 31, 2009, this authorization was extended until December 31, 2010. Renewable Energy attributes (RECs or Green Tags) were sold in 2011 and 2010, through the efforts of MESA personnel.

Electric revenues in 2011 were \$746,730 versus \$779,327 in 2010, which is a decrease of \$32,597. The decrease in electric revenues is mainly due to lower sales of renewable energy attributes offset by an increase in budgeted rates on fixed revenue. As such, green tag revenue decreased \$66,293 in 2011. The increase in fixed revenue of \$33,696 is due to higher rates billed per megawatt hour, per the 2011 budget. Electric revenues in 2010 were \$779,327 versus \$195,396 in 2009, which is an increase of \$583,931. The increase in electric revenues is mainly due to higher sales of renewable energy attributes as well as increased budgeted rates on fixed revenue. RECs must be certified before they can be transferred to buyers, and all of 2009 RECs were not certified and delivered until 2010. As such, green tag revenue increased \$461,375 in

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2010. The remaining increase in revenue is due to higher rates billed per megawatt hour, per the 2010 budget.

Operating expenses in 2011 were \$695,150 versus \$746,110 in 2010 which is a decrease of \$50,960. This was primarily due to decreased maintenance expense of \$36,867, a decrease in professional services of \$10,488, a decrease in MESA services of \$15,730 and a decrease in non-cash ARO accretion expense of \$2,337. This decrease was offset by a \$6,700 increase in insurance and a \$10,649 increase in non-cash depreciation expense. Operating expenses in 2010 were \$746,110 versus \$739,118 in 2009 which is an increase of \$6,992. This was primarily due to increased maintenance expense of \$21,304, an increase in professional services of \$4,498 and an increase in MESA services of \$4,289. This was due to special maintenance of the gearboxes of the turbines. This increase was offset by a \$15,772 decrease in non-cash depreciation expense and a \$8,694 decrease in non-cash ARO accretion expense.

Investment income in 2011 was \$2,056 versus \$3,759 in 2010 which is a decrease of \$1,703. The decrease is primarily due to decreased interest rates. Investment income in 2010 was \$3,759 versus \$3,509 in 2009 which is an increase of \$250. The increase is primarily due to increased assets invested. Investment income for OMEGA JV6 is interest earned on checking account balances and short term CDs.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 931,754	\$ 832,155
Board designated funds	856,457	461,375
Receivables from related parties	3,968	74,127
Accrued interest receivable	6	58
Prepaid expenses	20,417	25,450
Total Current Assets	1,812,602	1,393,165
NON-CURRENT ASSETS		
Restricted assets - funds held by trustee	82,517	82,102
Regulatory assets	430,145	367,822
Electric Plant		
Electric plant	9,822,662	9,847,604
Accumulated depreciation	(2,444,111)	(2,111,765)
Total Non-Current Assets	7,891,213	8,185,763
TOTAL ASSETS	\$ 9,703,815	\$ 9,578,928
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 17,231	\$ 19,623
Payable to related parties	3,463	5,081
Total Current Liabilities	20,694	24,704
NON-CURRENT LIABILITIES		
Asset retirement obligation	1,090,572	1,085,827
Total Liabilities	1,111,266	1,110,531
NET ASSETS		
Invested in capital assets	7,378,551	7,735,839
Restricted	82,517	82,102
Unrestricted	1,131,481	650,456
Total Net Assets	8,592,549	8,468,397
TOTAL LIABILITIES AND NET ASSETS	\$ 9,703,815	\$ 9,578,928

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Electric revenue	\$ 746,730	\$ 779,327
OPERATING EXPENSES		
Related party services	58,196	73,926
Depreciation	332,346	321,697
Accretion of asset retirement obligation	37,464	39,801
Maintenance	197,040	233,907
Insurance	45,433	38,733
Professional services	10,200	20,688
Other operating expenses	14,471	17,358
Total Operating Expenses	<u>695,150</u>	<u>746,110</u>
Operating Income	<u>51,580</u>	<u>33,217</u>
NON-OPERATING REVENUES		
Investment income	2,056	3,759
Future recoverable costs	70,100	61,789
Total Non-Operating Revenues	<u>72,156</u>	<u>65,548</u>
Income before Contributions	<u>123,736</u>	<u>98,765</u>
CONTRIBUTIONS FROM PARTICIPANTS	<u>416</u>	<u>1,286</u>
Change in net assets	124,152	100,051
NET ASSETS, Beginning of Year	<u>8,468,397</u>	<u>8,368,346</u>
NET ASSETS, END OF YEAR	<u>\$ 8,592,549</u>	<u>\$ 8,468,397</u>

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants and customers	\$ 816,889	\$ 705,200
Cash paid to related parties for personnel services	(59,814)	(75,163)
Cash payments to suppliers and related parties for goods and services	(264,503)	(313,932)
Net Cash Provided by Operating Activities	492,572	316,105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from participants	416	1,286
Net Cash Provided by Capital and Related Financing Activities	416	1,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to restricted assets	(415)	(1,744)
Investments purchased	(50,000)	(211,738)
Investments sold and matured	212,104	210,000
Investment income received	2,108	3,828
Net Cash Provided by Investing Activities	163,797	346
Net Change in Cash and Cash Equivalents	656,785	317,737
CASH AND CASH EQUIVALENTS, Beginning of Year	1,081,426	763,689
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,738,211	\$ 1,081,426
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 51,580	\$ 33,217
Depreciation	332,346	321,697
Accretion of asset retirement obligation	37,464	39,801
Changes in assets and liabilities		
Receivable from related parties	70,159	(74,127)
Prepaid expenses	5,033	(4,717)
Accounts payable and accrued expenses	(2,392)	3,701
Payable to related parties	(1,618)	(3,467)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 492,572	\$ 316,105
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 931,754	\$ 832,155
Board designated funds	856,457	461,375
Funds held by trustee	82,517	82,102
Total cash accounts	1,870,728	1,375,632
Less: Non-cash equivalents	(132,517)	(294,206)
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,738,211	\$ 1,081,426
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	\$ (24,942)	\$ 212,269

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 (ORC). Its purpose is to provide low-polluting capacity to the Participants. The Participants are members of American Municipal Power, Inc. (“AMP”). In December 2003 and December 2004, OMEGA JV6 purchased 3.6 MW of electric plant generating units (the “Project”) from AMP 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 assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV6’s financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV6 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV6 has elected to follow subsequent private-sector guidance.

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.

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, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Deposits and Investments (cont.)

OMEGA JV6 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV6 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Board Designated Funds

OMEGA JV6's Board of Participants designated funds from existing operating cash for the maintenance and repairs to the generating units.

Receivables/Payables

Accounts receivable are amounts due from related parties, as such, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred.

Restricted Assets

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 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

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

	2011	2010
Deferral of expenses related to asset retirement obligations	<u>\$ 430,145</u>	<u>\$ 367,822</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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	<u>7,200</u>	<u>100.00%</u>

REVENUE AND EXPENSES

OMEGA JV6 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the OMEGA JV6's principal ongoing operations. The principal operating revenues of OMEGA JV6 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues 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 to retire the Project financing obligations (Note 5). Accordingly, OMEGA JV6 will generate negative operating margins during the operating life of the electric plant.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

REVENUE AND EXPENSES (cont.)

Beginning January 1, 2009, renewable energy attributes from OMEGA JV6 were sold by AMP on behalf of the participants. These revenues will be realized upon delivery of the attributes.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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		Risks
	December 31,		
	2011	2010	
Checking	\$ 1,716,822	\$ 1,060,040	Custodial credit
Certificates of Deposit	50,000	212,105	Custodial credit
Commercial Paper	81,961	-	Custodial credit, credit, interest rate, and concentration
Government Money Market Mutual Funds	21,945	103,487	Credit and interest rate
Totals	<u>\$ 1,870,728</u>	<u>\$ 1,375,632</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

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 had custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. OMEGA JV6's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010 there were no deposits exposed to custodial credit risk.

Investments

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

As of December 31, 2011 and 2010, OMEGA JV6's investments were exposed to custodial credit risk as follows:

	2011		2010	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	<u>\$ 81,961</u>	<u>\$ 81,961</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV6 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV6 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, 2011, OMEGA JV6's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial Paper	A1	P1
Government Money Market Mutual Fund	AAAm	Aaa

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2010, OMEGA JV6's investments were rated as follows:

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OMEGA JV6's investment policy requires diversification of investments to limit losses from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security, except for US Treasury and fixed rate non-callable Federal Agency securities.

At December 31, 2011 and 2010, OMEGA JV6's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2011	2010
General Electric Corp	Commercial Paper	99.32%	-

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV6's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2011, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Government Money Market Mutual Fund	N/A	49	\$ 21,945
General Electric Corp	2/15/2012	46	81,961
			\$ 103,906

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2010, OMEGA JV6's investments were as follows:

Investment	Maturity Date	Weighted Average Maturity (days)	Fair Value
Government Money Market Mutual Fund	N/A	50	\$ 82,102
Government Money Market Mutual Fund	N/A	36	<u>21,385</u>
			<u>\$ 103,487</u>

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 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:

	2011	2010
Restricted Assets		
Reserve and Contingency Fund	<u>\$ 82,517</u>	<u>\$ 82,102</u>
Total Restricted Assets	<u>\$ 82,517</u>	<u>\$ 82,102</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2011			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,847,604	\$ -	\$ (24,942)	\$ 9,822,662
Less: Accumulated depreciation	(2,111,765)	(332,346)	-	(2,444,111)
Electric Plant, Net	\$ 7,735,839	\$ (332,346)	\$ (24,942)	\$ 7,378,551
	2010			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,635,335	\$ -	\$ 212,269	\$ 9,847,604
Less: Accumulated depreciation	(1,790,068)	(321,697)	-	(2,111,765)
Electric Plant, Net	\$ 7,845,267	\$ (321,697)	\$ 212,269	\$ 7,735,839

During 2010, OMEGA JV6 recorded an adjustment to electric plant to reflect the revised estimate of the ARO (Note 6).

NOTE 5 – ACQUISITION OF THE PROJECT

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

The Participants in OMEGA JV6 consist of financing and nonfinancing participants. On July 1, 2004, AMP 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 participant in OMEGA JV6 contributed \$139,000.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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. Therefore, the OMEGA JV6 Bonds are not recorded in the financial statements of OMEGA JV6. The OMEGA JV6 Bonds outstanding at December 31, 2011, are as follows:

<u>Maturity Date</u> <u>February 15 and August 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2012	971,000	0.28%
2013	985,000	0.28%
2014	990,000	0.28%
2015	996,000	0.28%
2016	6,000	0.28%
Total	<u>\$ 3,948,000</u>	

The maturity table assumes an interest rate of 0.28%, which is equal to the interest rate used to calculate the February 15, 2012 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 unaudited information for the years ended December 31, 2011 and 2010, all financing participants are in compliance with the debt service coverage requirements.

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 activities at the sites.

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

	2011			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 1,085,827	\$ 37,464	\$ (32,719)	\$ 1,090,572
	2010			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 822,085	\$ 39,801	\$ 223,941	\$ 1,085,827

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. OMEGA JV6 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2011 and 2010.

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 OMEGA JV6'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:

	<u>2011</u>	<u>2010</u>
Electric Plant	\$ 9,822,662	\$ 9,847,604
Accumulated Depreciation	<u>(2,444,111)</u>	<u>(2,111,765)</u>
Total Net Assets Invested in Capital Assets	<u>\$ 7,378,552</u>	<u>\$ 7,735,839</u>

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. There have reportedly been some dead bats observed near the project by an outside college study group. If it is concluded that there is a bird or bat collision problem, fines may be assessed or operational restrictions imposed against OMEGA JV6.

NOTE 9 – RISK MANAGEMENT

OMEGA JV6 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. There have been no claims in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 10 – SIGNIFICANT CUSTOMERS

OMEGA JV6 has two participants that comprised 33% and 82% of electric service revenue in 2011 and 2010, respectively.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 6**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV6 incurred expenses related to these services in the amount of \$2,123 and \$2,230 for the years ended December 31, 2011 and 2010, respectively, and had a payable of \$259 and \$185 to AMP at December 31, 2011 and 2010, respectively.
 - As OMEGA JV6's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$56,073 and \$71,696 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV6 had a payable to MESA for \$3,204 and \$4,896 at December 31, 2011 and 2010, respectively.
 - OMEGA JV6 had a receivable from OMEGA JV5 of zero and \$6,624 as of December 31, 2011 and 2010, respectively, for operational activities between the entities.
 - During 2011 and 2010, AMP sold green tags on behalf of OMEGA JV6. OMEGA JV6 had a receivable from AMP of \$3,968 and \$67,503 as of December 31, 2011 and 2010, respectively.
-

NOTE 12 – FUTURE LEASE COMMITMENT

On November 14, 2002, AMP 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 has assigned this lease to OMEGA JV6. Rent expense from this lease totaled \$4,000 during each of the years ended December 31, 2011 and 2010.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of OMEGA JV6 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the OMEGA JV6’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

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

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 6
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV6 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*



MUNICIPAL ENERGY SERVICES AGENCY

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Municipal Energy Services Agency:

We have audited the accompanying statement of net assets of Municipal Energy Services Agency ("MESA") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the MESA's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of MESA as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as 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 Municipal Energy Services Agency as of December 31, 2011, and the changes in its financial position 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 have also issued our report dated April 19, 2012 on our consideration of the Municipal Energy Services Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 19, 2012

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011, 2010 and 2009

(Unaudited)

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, 2011 and 2010. 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 and investing activities.

Financial Highlights

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

Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash and short term investments	\$ 2,053,164	\$ 2,411,684	\$ 1,246,760
Accounts receivable AMP members	188,214	511,045	1,018,335
Accounts receivable related parties	1,295,315	1,470,038	1,302,017
Interest receivable	5	100	217
Costs/recoveries in excess of member project billings	295,690	-	17,168
Prepays	10,596	122,428	107,723
Total Current Assets	<u>\$ 3,842,984</u>	<u>\$ 4,515,295</u>	<u>\$ 3,692,220</u>
Total assets	<u>\$ 3,842,984</u>	<u>\$ 4,515,295</u>	<u>\$ 3,692,220</u>
Liabilities			
Current liabilities	\$ 2,292,840	\$ 3,067,787	\$ 2,343,149
Noncurrent liabilities	1,550,144	1,447,508	1,349,071
Total liabilities	<u>\$ 3,842,984</u>	<u>\$ 4,515,295</u>	<u>\$ 3,692,220</u>

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011, 2010 and 2009

(Unaudited)

2011 vs. 2010

Total assets were \$3,842,984 and \$4,515,295 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$672,311. The decrease in 2011 total assets was due primarily to decreases in cash and temporary investments, receivables from related parties, receivables from AMP members and prepaid. These are offset by an increase in costs and recoveries in excess of billings from projects constructed on behalf of members.

Current assets were \$3,842,984 and \$4,515,295 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$672,311. This was due to decreases in cash of \$358,520, receivables from related parties of \$174,723, receivables from AMP members of \$322,831 and prepaid of \$111,832. This was offset by increases in costs and recoveries in excess of billings from projects constructed on behalf of members of \$295,690.

Total net assets and liabilities were \$3,842,984 and \$4,515,295 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$672,311. This is primarily due to decreases in accounts payables, payable to related parties, and vacation accruals. These are offset by increases in accrued salaries and related benefits and sick accruals.

Current liabilities were \$2,292,840 and \$3,067,787 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$774,947. This was due to decreases of accounts payables of \$460,659, payable to related parties of \$319,892, and accrued vacation of \$121,456. This was offset by increases in accrued salaries and related benefits of \$127,031.

Non current liabilities were \$1,550,144 and \$1,447,508 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$102,636. Non current liabilities are comprised of accrued sick leave.

2010 vs. 2009

Total assets were \$4,515,295 and \$3,692,220 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$823,075. The increase in 2010 total assets was due primarily to increases in cash and temporary investments and receivables from related parties. These are offset by a decrease in receivables from AMP members.

Current assets were \$4,515,295 and \$3,692,220 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$823,075. This was due to increases in cash of \$1,164,924, receivables from related parties of \$168,021, and prepaid of \$14,705. This was offset by decreases in receivables from AMP members of \$507,290 and costs and recoveries in excess of billings from projects constructed on behalf of members of \$17,168.

Total net assets and liabilities were \$4,515,295 and \$3,692,220 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$823,075. This is primarily due to increases in accounts payables, payable to related parties, and vacation and sick accruals. These are offset by decreases in construction retainage payable and accrued salaries and related benefits.

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011, 2010 and 2009

(Unaudited)

Current liabilities were \$3,067,787 and \$2,343,149 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$724,638. This was due to increases of accounts payables of \$568,052, payable to related parties of \$238,319, and accrued vacation of \$183,912. This was offset by decreases in construction retainage payable of \$111,966 and accrued salaries and related benefits of \$153,679.

Non current liabilities were \$1,447,508 and \$1,349,071 as of December 31, 2010 and December 31, 2009, respectively, an increase of \$98,437. Non current liabilities are comprised of accrued sick leave.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 20,836,212	\$ 16,151,908	\$ 17,528,600
Operating expenses	<u>20,838,597</u>	<u>16,157,069</u>	<u>17,531,845</u>
Operating Loss	<u>(2,385)</u>	<u>(5,161)</u>	<u>(3,245)</u>
Nonoperating revenue			
Investment income	<u>2,385</u>	<u>5,161</u>	<u>3,245</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Operating revenues in 2011 were \$20,836,212 versus \$16,151,908 in 2010 which was an increase of \$4,684,304. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members increased by \$3,447,450 and revenue from providing personnel services to related parties increased by \$1,236,854. Operating revenues in 2010 were \$16,151,908 versus \$17,528,600 in 2009 which was a decrease of \$1,376,692. MESA has primarily two sources of revenues; projects for members and providing personnel services to related parties. Revenue from projects on behalf of members decreased by \$2,187,303 and revenue from providing personnel services to related parties increased by \$810,611.

Operating expenses in 2011 were \$20,838,597 versus \$16,157,069 in 2010 which was an increase of \$4,681,528. This increase was primarily due to an increase in expense for project materials on behalf of members of \$3,474,789 and an increase in MESA payroll and related benefits expense of \$1,200,001. Operating expenses in 2010 were \$16,157,069 versus \$17,531,845 in 2009 which was a decrease of \$1,374,776. This decrease was primarily due to a decrease in expense for project materials on behalf of members of \$2,324,378. This decrease was offset by an increase in MESA payroll and related benefits expense of \$1,097,235.

MUNICIPAL ENERGY SERVICES AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011, 2010 and 2009

(Unaudited)

Investment income for MESA is limited to interest earned on checking account for the Operating Funds held at the bank. Investment income in 2011 was \$2,385 versus \$5,161 in 2010 which was a decrease of \$2,776. The decrease in 2011 was a result of lower interest rates. Investment income in 2010 was \$5,161 versus \$3,245 in 2009 which was an increase of \$1,916. The increase in 2010 was a result of higher average cash balances.

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

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF NET ASSETS December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 2,053,164	\$ 2,411,684
Receivables from AMP members	188,214	511,045
Receivables from related parties	1,295,315	1,470,038
Accrued interest receivable	5	100
Costs and recoveries in excess of billings from projects constructed on behalf of members	295,690	-
Prepaid expenses	10,596	122,428
Total Current Assets	<u>3,842,984</u>	<u>4,515,295</u>
TOTAL ASSETS	<u>\$ 3,842,984</u>	<u>\$ 4,515,295</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 568,487	\$ 1,029,146
Payable to related parties	172,003	491,895
Retainage payable	291,911	291,882
Accrued salaries and related benefits	483,478	356,447
Accrued vacation leave	776,961	898,417
Total Current Liabilities	<u>2,292,840</u>	<u>3,067,787</u>
NON CURRENT LIABILITIES		
Accrued sick leave	1,550,144	1,447,508
Total Non Current Liabilities	<u>1,550,144</u>	<u>1,447,508</u>
Total Liabilities	<u>3,842,984</u>	<u>4,515,295</u>
NET ASSETS		
Unrestricted	-	-
Total Net Assets	-	-
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,842,984</u>	<u>\$ 4,515,295</u>

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Services	\$ 14,401,182	\$ 13,164,328
Project revenue	<u>6,435,030</u>	<u>2,987,580</u>
Total Operating Revenues	<u>20,836,212</u>	<u>16,151,908</u>
OPERATING EXPENSES		
Salaries and related benefits	14,299,128	13,099,127
Professional fees	90,636	83,607
Direct project expenses	6,365,328	2,891,539
Insurance	<u>83,505</u>	<u>82,796</u>
Total Operating Expenses	<u>20,838,597</u>	<u>16,157,069</u>
Operating Loss	<u>(2,385)</u>	<u>(5,161)</u>
NONOPERATING REVENUES		
Investment income and other	<u>2,385</u>	<u>5,161</u>
Change in net assets	-	-
NET ASSETS, Beginning of Year	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from AMP members for services	\$ 6,314,063	\$ 3,512,038
Cash received from related parties for services	14,724,013	12,996,307
Cash payments to employees for services and benefits	(14,190,917)	(12,970,457)
Cash payments to suppliers and related parties for goods and services	(7,208,159)	(2,378,242)
Net Cash Provided by (Used in) Operating Activities	(361,000)	1,159,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(50,000)	(363,608)
Investments sold and matured	363,608	360,000
Investment income received	2,480	5,278
Net Cash Provided by Investing Activities	316,088	1,670
Net Change in Cash and Cash Equivalents	(44,912)	1,161,316
CASH AND CASH EQUIVALENTS, Beginning of Year	2,048,076	886,760
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,003,164	\$ 2,048,076
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (2,385)	\$ (5,161)
Changes in assets and liabilities		
Receivables from AMP-Ohio members	322,831	507,290
Receivables from related parties	174,723	(168,021)
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	(295,690)	17,168
Prepaid expenses	111,832	(14,705)
Accounts payable and accrued expenses	(460,659)	568,052
Accounts payable to related parties	(319,892)	238,319
Accrued salaries and related benefits	127,031	(153,679)
Accrued vacation and sick leave	(18,820)	282,349
Retainages payable	29	(111,966)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (361,000)	\$ 1,159,646
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 2,053,164	\$ 2,411,684
Less: Noncash equivalents	(50,000)	(363,608)
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,003,164	\$ 2,048,076

See accompanying notes to financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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, 2011, 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, Inc. (“AMP”). MESA also provides personnel and administrative services to AMP, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 (“OMEGA JVs”) and the Ohio Municipal Electric Association (“OMEA”). The Agreement continues until December 31, 2008, 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, 2011, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in MESA's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. MESA also has the option of following subsequent private-sector guidance subject to this same limitation. MESA has elected to follow subsequent private-sector guidance.

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.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

MESA has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government and its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

MESA has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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

Receivables/Payables

Accounts receivable are amounts due from participants, related parties, and other members of AMP 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.

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Retainage Payable

The balance represents a deposit for a transmission project from the City of Hamilton. The deposit may be refundable based on the service agreement.

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, the OMEGA JVs, and OMEA at a rate to recover the cost of salaries incurred related to work performed for each entity plus an overhead rate ranging from 71% to 150%. 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. AMP absorbs any undercharges and uses any excess charges to offset other administrative expenses incurred, which benefits all members of AMP.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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. 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.

MESA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with MESA’s principal ongoing operations. Operating expenses for MESA include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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,		Risks
	2011	2010	
Checking/Money Market Funds	\$ 1,684,935	\$ 1,729,880	Custodial credit
Certificate of Deposits	50,000	363,608	Custodial credit
Government Money Market Mutual Fund	318,229	318,196	Interest rate, credit
Total Cash, Cash Equivalents, and Investments	\$ 2,053,164	\$ 2,411,684	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2011 and 2010.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, MESA's deposits may not be returned to it. MESA has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit. However, MESA's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2011 and 2010, there were no deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. MESA invests in instruments approved under the entity's investment policy. The Board of Participants has authorized MESA 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.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2011 and 2010, MESA's investments were rated as follows:

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

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. MESA's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2011, MESA's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	<u>\$ 318,229</u>	36

As of December 31, 2010, MESA's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government Money Market Mutual Fund	<u>\$ 318,196</u>	38

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 3 – LONG TERM LIABILITY

Long-term liability activity for the year ended December 31, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued sick leave	\$ 1,447,508	\$ 268,863	\$ 166,227	\$ 1,550,144	\$ -

Long-term liability activity for the year ended December 31, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued sick leave	\$ 1,349,071	\$ 274,528	\$ 176,091	\$ 1,447,508	\$ -

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 4 – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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.

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

	Year Ended December 31		
	2011	2010	2009
Required and Actual Employer Pension Contributions	\$ 817,465	\$ 836,051	\$ 696,993
Required and Actual Employer OPEB Contributions	493,416	475,119	496,045
Required and Actual Employer OPERS Contributions	\$ 1,310,881	\$ 1,311,170	\$ 1,193,038
Required and Actual Employer OPERS Contribution Rate	14.00%	14.00%	14.00%
Required and Actual Employee OPERS Contribution Rate	10.00%	10.00%	10.00%

Employer OPERS contribution rates are expressed as a percentage of the covered payroll of active members. The ORC currently limits the employer contribution to a rate not to exceed 14% of covered payroll.

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, or by calling 614 222 5601 or 800 222 7377.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 4 – POSTEMPLOYMENT BENEFITS (cont.)

OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, 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 post-employment health care coverage.

In order to qualify for post-employment 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.45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Active members do not make contributions to the OPEB plan.

OPERS’ Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% from for the year ended December 31, 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for the year ended December 31, 2011.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 4 – POSTEMPLOYMENT BENEFITS (cont.)

OTHER POSTEMPLOYMENT BENEFITS (cont.)

The employer and employee required and actual contributions to OPERS were as follows:

	Year Ended December 31		
	2011	2010	2009
Required and Actual Employer Pension Contributions	\$ 817,465	\$ 836,051	\$ 696,993
Required and Actual Employer OPEB Contributions	<u>493,416</u>	<u>475,119</u>	<u>496,045</u>
Required and Actual Employer OPERS Contributions	<u>\$ 1,310,881</u>	<u>\$ 1,311,170</u>	<u>\$ 1,193,038</u>
Required and Actual Employer OPERS Contribution Rate	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Required and Actual Employee OPERS Contribution Rate	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

Employer OPERS contribution rates are expressed as a percentage of the covered payroll of active members. The ORC currently limits the employer contribution to a rate not to exceed 14% of covered payroll.

The Health Care Preservation Plan (“HCPP”) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

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, or by calling 614 222 5601 or 800 222 7377.

NOTE 5 – RISK MANAGEMENT

MESA is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP maintains insurance policies related to commercial property, motor vehicle liability, workers’ compensation, 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. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

MUNICIPAL ENERGY SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 6 – RELATED PARTY TRANSACTIONS

Pursuant to the Agreement, AMP was designated as an agent and provides MESA various management and operational services. As MESA's agent, AMP 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:

	<u>2011</u>	<u>2010</u>
AMP	\$ 11,911,453	\$ 10,785,315
Ohio Municipal Electric Generation Agency Joint Venture 1	72,450	65,486
Ohio Municipal Electric Generation Agency Joint Venture 2	534,429	420,501
Ohio Municipal Electric Generation Agency Joint Venture 4	39,059	23,730
Ohio Municipal Electric Generation Agency Joint Venture 5	1,016,942	887,798
Ohio Municipal Electric Generation Agency Joint Venture 6	56,073	71,696
Ohio Municipal Electric Association	409,087	368,321
Ohio Public Power Educational Institute	-	165,239
AMP Members	<u>6,796,719</u>	<u>3,363,822</u>
Totals	<u>\$ 20,836,212</u>	<u>\$ 16,151,908</u>

At December 31, 2011 and 2010, MESA had receivables from affiliates of \$1,295,315 and \$1,470,038, respectively. At December 31, 2011 and 2010, MESA had a receivable from members of AMP of \$188,214 and \$511,045, respectively. At December 31, 2011 and 2010, MESA had a payable to AMP for \$172,003 and \$491,895, respectively.

**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**

To the 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, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. 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

Management of MESA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the MESA’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance And Other Matters

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

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Municipal Energy Services Agency
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that MESA was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*

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Dave Yost • Auditor of State

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

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 26, 2012