

**Ohio Municipal Electric
Generation Agency
Joint Venture 5**

**Financial Statements
December 31, 2006 and 2005**

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

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") at December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV5's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The management's discussion and analysis on pages 2 through 4 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007, on our consideration of OMEGA JV5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2006. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 18, 2007

Ohio Municipal Electric Generation Agency Joint Venture 5 Management's Discussion and Analysis

Financial Statement Overview

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

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

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

Financial Highlights

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

Condensed Balance Sheets

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5 Management's Discussion and Analysis

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

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

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

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

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

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

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

Ohio Municipal Electric Generation Agency Joint Venture 5 Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2006 and 2005

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2006 and 2005

1. Organization

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

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

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

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

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2006 and 2005

Utility Plant

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

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

Investments

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

Inventory

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

Asset Retirement Obligations

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV5 has determined that the asset retirement obligation associated with the electric plant has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV5 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Operating Revenue and Expenses

Operating revenues are recognized when earned as service is delivered. OMEGA JV5's rates for electric power are designed to cover annual operating costs except depreciation. Debt service is billed separately to the Participants. Rates are set annually by the Board of Participants.

Regulatory Liabilities

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

Net Assets

All property constituting OMEGA JV5 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Cuyahoga Falls	7,000	16.67 %
Bowling Green	6,608	15.73
Niles	4,463	10.63
Napoleon	3,088	7.35
Jackson	3,000	7.14
Hudson	2,388	5.69
Wadsworth	2,360	5.62
Oberlin	1,270	3.02
New Bremen	1,000	2.38
Bryan	919	2.19
Hubbard	871	2.07
Montpelier	850	2.02
Minster	837	1.99
Columbiana	696	1.66
Wellington	679	1.62
Versailles	460	1.10
Monroeville	427	1.02
Oak Harbor	396	0.94
Lodi	395	0.94
Pemberville	386	0.92
Edgerton	385	0.92
Arcanum	352	0.84
Seville	344	0.82
Brewster	333	0.79
Pioneer	321	0.76
Genoa	288	0.69
Jackson Center	281	0.67
Grafton	269	0.64
Elmore	244	0.58
Woodville	209	0.50
Milan	163	0.39
Bradner	145	0.35
Beach City	128	0.30
Prospect	115	0.27
Haskins	56	0.13
Lucas	54	0.13
Arcadia	46	0.11
South Vienna	45	0.11
Waynesfield	35	0.08
Eldorado	35	0.08
Republic	35	0.08
Custar	24	0.06
	42,000	100.00 %

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2006 and 2005

Use of Estimates

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

New Accounting Standards

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

Revision to 2005 Statement of Cash Flows

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

3. Utility Plant

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

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

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

4. Related Party Transactions

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2006 and 2005 was \$171,884 and \$273,612, respectively. OMEGA JV5 had a receivable from AMP-Ohio of \$179,050 at December 31, 2006 and a payable of \$437,691 at December 31, 2005.
- As OMEGA JV5's agent, AMP-Ohio purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2006 and 2005 amounted to \$7,768,052 and \$9,509,332, respectively.
- As OMEGA JV5's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was \$925,952 and \$787,441 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV5 had payables to MESA of \$67,180 and \$66,272 at December 31, 2006 and 2005, respectively.
- OMEGA JV5 sold capacity from back-up generating units to AMP-Ohio's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately \$648,000 and \$786,659 for the years ended December 31, 2006 and 2005, respectively.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2006 and 2005

- In 1993, OMEGA JV5 prepaid \$3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts of its generating capacity as a backup resource to OMEGA JV5. The commitment is for dedicated capacity from June 1, 1996 through May 31, 2009. This asset is being amortized ratably over the term of the commitment.
- Participants with backup generating units sited in their communities provide utilities to the units. OMEGA JV5 incurred expenses of \$88,520 and \$92,067 for these services for the years ended December 31, 2006 and 2005, respectively.
- OMEGA JV5 had a receivable due from OMEGA JV1 in the amount of \$2,974 from the sale of fuel and a payable due to OMEGA JV2 in the amount of \$17,728 at December 31, 2005 for payment of charges related to OMEGA JV5.

5. Cash and Cash Equivalents

Deposits

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

Credit Risk

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

6. Restricted Assets

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

Restricted assets held at December 31 are as follows:

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

	2005	
	Cost	Market Value
United States Treasury obligations	<u>\$ 10,005,923</u>	<u>\$ 10,108,620</u>
Total	<u>\$ 10,005,923</u>	<u>\$ 10,108,620</u>

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2006 and 2005 all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

7. Prepaid Bond Insurance

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2006 and 2005

8. Beneficial Interest Certificates Issuance Costs

In connection with the issuance of the 2001 Certificates and the 2004 Certificates, OMEGA JV5 paid \$692,981 and \$1,333,796, respectively, on behalf of the Participants for underwriter's discount and other costs of issuance. These costs are being amortized over the maturities of the Certificates.

9. Beneficial Interest Certificates

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

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

Maturity Date February 15,	Principal Amount	Interest Rate
2007	\$ 4,285,000	2.00 %
2008	4,375,000	2.25 %
2009	4,475,000	2.50 %
2010	4,570,000	3.00 %
2011	4,705,000	3.25 %
2012	4,860,000	5.00 %
2013	5,105,000	5.00 %
2014	5,355,000	5.00 %
2015	5,630,000	5.00 %
2016	6,050,000	5.00 %
2017	6,215,000	5.00 %
2018	6,520,000	5.00 %
2019	6,845,000	5.00 %
2020	7,190,000	5.00 %
2021	7,550,000	5.00 %
2022	7,925,000	5.00 %
2023	8,325,000	5.00 %
2024	<u>8,740,000</u>	4.75 %
	108,720,000	
Less: Current portion	(4,285,000)	
Less: Unamortized premium	5,833,079	
Less: Unamortized cost from defeasance of beneficial interest certificates	<u>(4,555,048)</u>	
	<u>\$ 105,713,031</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.

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2006 are as follows:

Maturity Date February 15,	Principal Amount	Yield to Maturity
2025	\$ 10,915,000	5.51 %
2026	10,915,000	5.52 %
2027	10,915,000	5.53 %
2028	10,915,000	5.54 %
2029	10,465,000	5.55 %
2030	2,000,000	5.56 %
	<u>56,125,000</u>	
Less: Unamortized discount	<u>(37,434,356)</u>	
	<u>\$ 18,690,644</u>	

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

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

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

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

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

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

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

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

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

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

	2005			Ending Balance
	Beginning Balance	Additions	Reductions	
2001 Certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(39,366,070)	-	939,541	(38,426,529)
	<u>16,758,930</u>	<u>-</u>	<u>939,541</u>	<u>17,698,471</u>
2004 Certificates	112,845,000	-	(4,125,000)	108,720,000
Less: Current maturities	4,065,000	4,125,000	(4,065,000)	4,125,000
Less: Unamortized premium	7,059,166	-	(653,794)	6,405,372
Less: Unamortized loss from refunding beneficial interest certificates	(5,779,350)	-	664,356	(5,114,994)
	<u>118,189,816</u>	<u>4,125,000</u>	<u>(8,179,438)</u>	<u>114,135,378</u>
Regulatory liabilities	32,429,317	-	(1,849,296)	30,580,021
Accrued license fees	94,465	99,433	(94,465)	99,433
Total	<u>\$ 167,472,528</u>	<u>\$ 4,224,433</u>	<u>\$ (9,183,658)</u>	<u>\$ 162,513,303</u>

Ohio Municipal Electric Generation Agency Joint Venture 5
Notes to Financial Statements
December 31, 2006 and 2005

10. Regulatory Liabilities

Regulatory liabilities at December 31 are as follows:

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

11. Risk Management

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

12. Commitments and Contingencies

Environmental Matters

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

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

Other Commitments

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

13. Subsequent Events

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

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

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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



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

PriceWaterhouseCoopers LLP

Columbus, Ohio
April 18, 2007