

**Ohio Municipal Electric  
Generation Agency  
Joint Venture 6**

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

**Ohio Municipal Electric Generation Agency Joint Venture 6**  
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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 6

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") at December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of OMEGA JV6's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2007 on our consideration of OMEGA JV6's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2006. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Columbus, Ohio  
April 18, 2007

# Ohio Municipal Electric Generation Agency Joint Venture 6 Management's Discussion and Analysis

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## Financial Statement Overview

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

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

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

## Financial Highlights

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

### Condensed Balance Sheets

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

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

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

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

## Ohio Municipal Electric Generation Agency Joint Venture 6 Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

## Ohio Municipal Electric Generation Agency Joint Venture 6 Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Ohio Municipal Electric Generation Agency Joint Venture 6

## Notes to Financial Statements

### December 31, 2006 and 2005

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#### 1. Organization

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

#### 2. Summary of Significant Accounting Policies

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

##### **Basis of Accounting**

The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV6 applies all Financial Accounting Standards Board ("FASB") statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

##### **Cash and Cash Equivalents**

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

##### **Electric Plant**

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

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

##### **Asset Retirement Obligations**

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

**Ohio Municipal Electric Generation Agency Joint Venture 6**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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**Regulatory Assets**

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

**Net Assets**

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

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

**Operating Revenue and Expenses**

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

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

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

# Ohio Municipal Electric Generation Agency Joint Venture 6

## Notes to Financial Statements

### December 31, 2006 and 2005

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#### Use of Estimates

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

#### New Accounting Standards

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

### 3. Electric Plant and Equipment

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

	2006			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 9,484,761	\$ -	\$ -	\$ 9,484,761
Less: Accumulated depreciation	(500,095)	(316,159)	-	(816,254)
Electric plant, net	<u>\$ 8,984,666</u>	<u>\$ (316,159)</u>	<u>\$ -</u>	<u>\$ 8,668,507</u>
	2005			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric plant	\$ 10,493,499	\$ -	\$ (1,008,738)	\$ 9,484,761
Less: Accumulated depreciation	(184,030)	(316,065)	-	(500,095)
Electric plant, net	<u>\$ 10,309,469</u>	<u>\$ (316,065)</u>	<u>\$ (1,008,738)</u>	<u>\$ 8,984,666</u>

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

### 4. Related Party Transactions

OMEGA JV6 has entered into the following agreements:

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

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- As OMEGA JV6's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$63,141 and \$87,646 for the years ended December 31, 2006 and 2005, respectively. OMEGA JV6 had a payable to MESA for \$4,416 and \$4,951 at December 31, 2006 and 2005, respectively.

**5. Acquisition of the Project**

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

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

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

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

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

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

# Ohio Municipal Electric Generation Agency Joint Venture 6

## Notes to Financial Statements

### December 31, 2006 and 2005

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

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

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

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

#### 6. Cash and Cash Equivalents

##### Deposits

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

##### Credit Risk

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

#### 7. Restricted Assets

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

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

**Ohio Municipal Electric Generation Agency Joint Venture 6**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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**8. Asset Retirement Obligations**

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

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

	<b>2006</b>		
	<b>Beginning Balance</b>	<b>Accretion Expense</b>	<b>Ending Balance</b>
Asset retirement obligation	\$ 532,852	\$ 27,202	\$ 560,054

  

	<b>2005</b>		
	<b>Beginning Balance</b>	<b>Accretion Expense</b>	<b>Ending Balance</b>
Asset retirement obligation	\$ 506,971	\$ 25,881	\$ 532,852

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

**9. Risk Management**

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

**10. Future Lease Commitment**

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

**Ohio Municipal Electric Generation Agency Joint Venture 6**  
**Notes to Financial Statements**  
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**11. Commitments and Contingencies**

**Environmental Matters**

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

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

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

Board of Participants  
Ohio Municipal Electric Generation Agency Joint Venture 6

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 6 ("OMEGA JV6") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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



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.

*Pricewaterhouse Coopers LLP*

Columbus, Ohio  
April 18, 2007