

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

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

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

TABLE OF CONTENTS
December 31, 2007 and 2006

Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 4
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Asset	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 – 22



Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 6

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV6 as of December 31, 2007 and changes in its financial 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 also have issued our report dated April 9, 2008 on our consideration of OMEGA JV6's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

Page 1

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

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

Financial Statement Overview

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

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

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

Financial Highlights

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

Condensed Statement of Net Assets

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

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

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

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

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

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

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

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

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

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

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

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

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

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

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

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

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

OMEGA JV6 applies all Financial Accounting Standards Board (“FASB”) statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board (“GASB”) pronouncements.

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

NEW ACCOUNTING STANDARDS

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

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

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

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

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

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

Receivables

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Prepays

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

ELECTRIC PLANT

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

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

Asset Retirement Obligations

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

Regulatory Assets

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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>

OPERATING REVENUE AND EXPENSES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

COMPARATIVE DATA

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

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

Custodial Credit Risk

Deposits

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

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

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

Credit Risk

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Concentration of Credit Risk

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

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

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

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

Interest Rate Risk

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

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

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Commercial Paper	2/15/2008	<u>\$ 66,591</u>

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

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Commercial Paper	02/14/2007	<u>\$ 54,651</u>

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 3 – RESTRICTED ASSETS

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

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

Restricted Net Assets

The following calculation supports the amount of restricted net assets:

	<u>2007</u>	<u>2006</u>
Restricted Assets		
Reserve and Contingency Fund	\$ <u>66,591</u>	\$ <u>55,400</u>
Total Restricted Net Assets as Calculated	\$ <u><u>66,591</u></u>	\$ <u><u>55,400</u></u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

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

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

NOTE 5 – ACQUISITION OF THE PROJECT

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 5 – ACQUISITION OF THE PROJECT (cont.)

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

<u>Maturity Date</u> February 15 and August 15,	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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	<u>843,000</u>	3.43%
Total	<u>\$ 7,581,000</u>	

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

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

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

	2007			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	\$ 560,054	\$ 28,592	\$ 97,052	\$ 685,698
	2006			
	Beginning Balance	Accretion Expense	Ending Balance	
Asset retirement obligation	\$ 532,852	\$ 27,202	\$ 560,054	

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

NOTE 7 – NET ASSETS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – NET ASSETS (cont.)

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

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

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

	<u>2007</u>	<u>2006</u>
Electric Plant	\$ 9,581,813	\$ 9,484,761
Accumulated Depreciation	<u>(1,132,413)</u>	<u>(816,254)</u>
Total Net Assets Invested in Capital Assets	<u>\$ 8,449,400</u>	<u>\$ 8,668,507</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. Informal bird and bat surveys conducted by local wildlife experts have not detected a collision problem. If it is concluded that there is a bird and bat collision problem, fines may be assessed against OMEGA JV6.

NOTE 9 – RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 10 – RELATED PARTY TRANSACTIONS

OMEGA JV6 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. In addition, AMP-Ohio is entitled to a fee associated with the sale of energy attributes. Such fees amounted to approximately \$14,726 and \$14,401 for the years ended December 31, 2007 and 2006, respectively.
 - As OMEGA JV6's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were \$53,504 and \$63,141 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV6 had a payable to MESA for \$4,054 and \$4,416 at December 31, 2007 and 2006, respectively.
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NOTE 11 – FUTURE LEASE COMMITMENT

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



Virchow Krause & company

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 6

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

Internal Control Over Financial Reporting

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

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

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

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

Internal Control Documentation

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

Financial Reporting

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

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

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

Auditee Response

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

Compliance and Other Matters

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

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

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

Virchow, Krause & Company, LLP