Municipal Energy Services Agency

Financial Statements
December 31, 2005 and 2004

Auditor of State
Betty Montgomery

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

We have reviewed the *Report of Independent Auditors* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 19, 2006

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Report of Independent Auditors

Board of Participants
Municipal Energy Services Agency

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 Municipal Energy Services Agency ("MESA") at December 31, 2005 and 2004, 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 MESA'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 3 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 March 31, 2006 on our consideration of MESA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2005. 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

March 31, 2006

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Municipal Energy Services Agency ("MESA") for the years ended December 31, 2005 and 2004. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

MESA prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MESA's basic financial statements include the 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 MESA as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing and capital and related financing activities.

Financial Highlights

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

Condensed Balance Sheets

	2005	2004	2003
Assets			
Current assets	$ 3,996,195	$ 2,137,694	$ 1,401,235
Property, net of accumulated depreciation	66,914	72,553	66,866
Total assets	$ 4,063,109	$ 2,210,247	$ 1,468,101
Liabilities and Net Assets			
Current liabilities	$ 4,063,109	$ 2,210,247	$ 1,468,101
Net assets	-	-	-
Total liabilities and net assets	$ 4,063,109	$ 2,210,247	$ 1,468,101

Total assets of $4,063,109 increased $1,852,862 or 83.8% in 2005. This compares to an increase of total assets of $742,146 or 50.6% in 2004 compared to 2003.

Current assets as of December 31, 2005 were $3,996,195. This was an increase in 2005 of $1,858,501 or 86.9% compared to 2004. In 2005, cash decreased $33,976. Accounts receivable increased $1,052,867, due primarily to an increase of $1,098,425 related to projects that were completed for members. Projects in progress on behalf of members not yet invoiced increased $904,150. Prepaid insurance decreased $64,540 primarily as a result of timing of payments. The 2005 insurance premium was paid in December 2004. Current assets increased $736,459 or 52.6% in 2004 primarily due to an increase in cash of $436,071, a decrease in receivables of $42,660, an increase in project costs not yet billed of $184,594 and an increase in prepaid expenses of $131,454. Project costs increased as a result of an increase in long-term projects for member communities.

Property, net of accumulated depreciation, at December 31, 2005 was $66,914. This was a decrease of $5,639 or 7.8% in 2005 compared to 2004. MESA's property consists entirely of vehicles, the cost of which at the end of 2005 was $182,044. This was an increase of $43,278 in 2005 compared to 2004.

Accumulated depreciation in 2005 increased $48,917 compared to 2004. Property, net of accumulated depreciation increased $5,687 or 8.5% in 2004 compared to 2003 due to the purchase of vehicles net of accumulated depreciation. All vehicles are depreciated over a three year life.

Current liabilities as of December 31, 2005 were $4,063,109. This was an increase of $1,852,862 or 83.8% in 2005 compared to 2004. The increase in 2005 was due primarily to an increase in accounts payable of $1,912,037 relating to purchasing materials for projects constructed on behalf of members. In addition, there was at year-end $346,000 payable to related parties. In 2005, advance payments for projects constructed on behalf of members decreased by $578,384. Current liabilities increased by $742,146 or 50.6% in 2004 due to decreased accrued salaries and related benefits of $50,032, increased accruals for compensated absences of $148,317, increased accounts payable and accrued expenses of $65,477 and an increase in billings in excess of costs and estimated earnings for projects constructed on behalf of members of $578,384.

The following table summarizes the changes in revenues, expenses and changes in net assets of MESA for the years ended December 31:

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

	2005	2004	2003
Operating revenues	$ 19,799,064	$ 8,231,712	$ 7,371,774
Operating expenses	19,829,309	8,243,692	7,375,316
Operating loss	(30,245)	(11,980)	(3,542)
Nonoperating revenue			
Investment income	30,245	11,980	3,542
Change in net assets	$ -	$ -	$ -

Operating revenues in 2005 were $19,799,064, which was an increase of $11,567,352 or 140.5%. MESA has primarily two sources of revenues, projects for members and providing personnel services to related parties. The $11,567,352 increase in revenues for 2005 was due primarily to projects being engineered, managed or constructed on-behalf of members totaling $10,877,868. Personnel services to related parties increased $689,484 in 2005. Operating revenues increased $859,938 or 11.7% in 2004 compared to 2003. This increase was due primarily to higher salaries and benefits charged to related parties and project revenue increases as a result of an increase in project activity.

Operating expenses in 2005 were $19,829,309, which was an increase of $11,585,617 or 140.5%. The increase of $11,585,617 in 2005 was primarily related to projects on-behalf of members which increased $10,888,942, while MESA's payroll and related benefits increased $663,298 in 2005. Operating expenses increased $868,376 or 11.8% in 2004 due primarily to increased staffing levels and increased salaries and related benefits. Direct project expenses increased as a result of increased project activity.

Investment income in 2005 was $30,245, which was an increase of $18,265 or 152.5% for 2005. Investment income for MESA is limited to interest earned on checking account for the Operating Funds held at the bank. The increase in 2005 was a result of higher average cash balances invested at higher interest rates. Investment income in 2004 was $11,980, which was an increase of $8,438 or 238.2%. The increase in 2004 was a result of higher average cash balances invested at higher interest rates

Municipal Energy Services Agency
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 957,055	$ 991,031
Receivables from AMP-Ohio members	1,254,228	155,803
Receivables from related parties	622,411	667,969
Costs and recoveries in excess of billings from projects constructed on behalf of members	1,088,744	184,594
Prepaid expenses	73,757	138,297
Total current assets	3,996,195	2,137,694
Property		
Vehicles	182,044	138,766
Accumulated depreciation	(115,130)	(66,213)
Total property	66,914	72,553
Total assets	$ 4,063,109	$ 2,210,247
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 66,914	$ 72,553
Unrestricted	(66,914)	(72,553)
Total net assets	-	-
Current liabilities		
Accrued salaries and related benefits	445,137	442,835
Compensated absences	1,266,441	1,106,128
Accounts payable and accrued expenses	2,005,531	82,900
Payable to related party	346,000	-
Billings in excess of costs and recoveries for projects constructed on behalf of members	-	578,384
Total current liabilities	4,063,109	2,210,247
Total net assets and liabilities	$ 4,063,109	$ 2,210,247

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

Municipal Energy Services Agency
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Services	$ 8,099,004	$ 7,409,520
Project revenue	11,700,060	822,192
Total operating revenues	19,799,064	8,231,712
Operating Expenses		
Salaries and related benefits	7,786,636	7,123,338
Depreciation	46,568	43,235
Professional fees	59,981	30,392
Direct project expenses	11,798,212	909,270
Insurance	87,024	81,877
Utilities	26,501	25,789
Other operating expenses	24,387	29,791
Total operating expenses	19,829,309	8,243,692
Operating loss	(30,245)	(11,980)
Nonoperating Revenues		
Investment income	30,245	11,980
Change in net assets	-	-
Net assets, beginning of year	-	-
Net assets, end of year	$ -	$ -

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

Municipal Energy Services Agency
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from members for services	$ 9,119,101	$ 1,082,131
Cash received from related parties for services	8,144,562	7,586,031
Cash payments to employees for services	(7,882,561)	(7,428,082)
Cash payments to suppliers and related parties for goods and services	(9,748,045)	(737,673)
Net cash (used in) provided by operating activities	(366,943)	502,407
Cash flows from noncapital financing activities		
Proceeds from payable to related party	346,000	-
Net cash provided by noncapital financing activities	346,000	-
Cash flows from capital and related financing activities		
Purchases of vehicles	(43,278)	(51,316)
Net cash used in capital and related financing activities	(43,278)	(51,316)
Cash flows from investing activities		
Investment income received	30,245	11,980
Net cash provided by investing activities	30,245	11,980
Net change in cash and cash equivalents	(33,976)	463,071
Cash and cash equivalents, beginning of year	991,031	527,960
Cash and cash equivalents, end of year	$ 957,055	$ 991,031
Reconciliation of operating loss to net cash (used in) provided by operating activities		
Operating loss	$ (30,245)	$ (11,980)
Depreciation	48,917	45,629
Changes in assets and liabilities		
Receivables from members	(1,098,425)	(133,851)
Receivables from related parties	45,558	176,511
Costs and estimated earnings in excess of billings from projects constructed on behalf of members	(904,150)	(184,594)
Prepaid expenses	64,540	(131,454)
Accrued salaries and related benefits	2,302	(50,032)
Compensated absences	160,313	148,317
Accounts payable and accrued expenses	1,922,631	65,477
Billing in excess of costs and estimated earnings for projects constructed on behalf of members	(578,384)	578,384
Net cash (used in) provided by operating activities	$ (366,943)	$ 502,407

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

1. Organization

Municipal Energy Services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. As of December 31, 2005, there were 48 Participants in MESA. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operation and maintenance of municipal electric and other utility systems. The participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). MESA also provides personnel and administrative services to AMP-Ohio, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA JVs"), the Ohio Municipal Electric Association ("OMEA") and the Ohio Public Power Educational Institute ("OPPEI"). The Agreement continues until December 31, 2006, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by MESA.

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. MESA 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.

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

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

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

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

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

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

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards
In December 2004, FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption by MESA is not expected to have a material impact on MESA's financial condition or results of operations.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle should be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

3. Property

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

	2005		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 138,766	$ 43,278	$ 182,044
Less: Accumulated depreciation	(66,213)	(48,917)	(115,130)
Vehicles, net	$ 72,553	$ (5,639)	$ 66,914

	2004		
	Beginning Balance	Additions	Ending Balance
Vehicles	$ 87,450	$ 51,316	$ 138,766
Less: Accumulated depreciation	(20,584)	(45,629)	(66,213)
Vehicles, net	$ 66,866	$ 5,687	$ 72,553

4. Related Party Transactions

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

	2005	2004
AMP-Ohio	$ 6,079,642	$ 5,447,746
Ohio Municipal Electric Generation Agency Joint Venture 1	65,172	51,494
Ohio Municipal Electric Generation Agency Joint Venture 2	485,550	458,149
Ohio Municipal Electric Generation Agency Joint Venture 4	100,137	62,611
Ohio Municipal Electric Generation Agency Joint Venture 5	787,726	865,424
Ohio Municipal Electric Generation Agency Joint Venture 6	87,646	86,309
Ohio Municipal Electric Association	323,743	280,830
Ohio Public Power Educational Institute	169,388	156,957
AMP-Ohio Participants	11,700,060	822,192
Total	$ 19,799,064	$ 8,231,712

At December 31, 2005 and 2004, MESA had receivables from affiliates of $622,411 and $667,969, respectively. At December 31, 2005 and 2004, MESA had a receivable from members of AMP-Ohio of $1,254,228 and $155,803, respectively.

During 2005, MESA borrowed $346,000 from AMP-Ohio. AMP-Ohio is charging MESA an interest rate equivalent to the rate on AMP-Ohio's line of credit which is variable based on prime or LIBOR, depending on AMP-Ohio's interest coverage ratio. The borrowing does not have a set maturity.

5. Cash and Cash Equivalents

At December 31, 2005 and 2004, $957,055 and $987,613, respectively, was invested in certain money market funds, which consists principally of obligations guaranteed by the United States government.

6. Risk Management

MESA is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. In addition, MESA maintains an errors and omissions policy related to engineering services it performs.

7. Pension Plans

Ohio Public Employees Retirement System

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

The ORC provides statutory authority for employee and employer contributions. The employee contribution rate effective for 2005, 2004, and 2003 was 8.5%. The 2005, 2004, and 2003 employer contribution rate was 13.55% of covered payroll.

The employee contributions to OPERS totaled $498,078, $464,032, and $428,194 for the years ended December 31, 2005, 2004, and 2003, respectively. Employer contributions were $793,987, $739,714, and $682,583 for the years ended December 31, 2005, 2004, and 2003, respectively.

Postemployment Benefits

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

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

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefit ("OPEB") as described in GASB Statement No.12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The ORC provides statutory authority requiring public employers to fund health care through their contributions to OPERS. The 2005 employer contribution rate was 13.55% of covered payroll; at least 4.0% of the employer contribution was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. MESA's 2005 employer contributions to OPERS totaled $793,987. Of this amount, at least $31,799 was used to fund health care contributions.

OPEB liabilities are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

At December 31, 2004, the unaudited actuarial value of OPERS' net assets available for future OPEB payments was $10.8 billion. The number of active contributing participants at December 31, 2005 was 376,109. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

The following assumptions are applicable:

Actuarial Review—The assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2004.

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

Assets Valuation Method—All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return—The investment assumption rate for 2004 was 8.00%.

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

Health Care—Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

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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
Municipal Energy Services Agency

We have audited the financial statements of Municipal Energy Services Agency ("MESA") as of and for the year ended December 31, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered MESA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether MESA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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

March 31, 2006

Ohio Municipal Electric Generation Agency Joint Venture 1

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Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1

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 1 ("OMEGA JV1") at December 31, 2005 and 2004, 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 JV1'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 March 31, 2006 on our consideration of OMEGA JV1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2005. 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

March 31, 2006

Financial Statement Overview
This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") for the years ended December 31, 2005 and 2004. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV1 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV1's basic financial statements include the 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 JV1 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing and capital and related financing activities.

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

Condensed Balance Sheets

	2005	2004	2003
Assets			
Electric plant, net of accumulated depreciation	$ 267,447	$ 283,419	$ 299,392
Regulatory assets	59,461	246,814	178,109
Current assets	214,881	230,938	196,576
Total assets	$ 541,789	$ 761,171	$ 674,077
Net Assets and Liabilities			
Net assets	$ 455,421	$ 463,386	$ 452,131
Current liabilities	22,793	37,139	164,094
Noncurrent liabilities	63,575	260,646	57,852
Total net assets and liabilities	$ 541,789	$ 761,171	$ 674,077

Total assets of $541,789 decreased $219,382 or 28.8% in 2005, this compares to an increase of total assets of $87,094 or 12.9% in 2004, over 2003. The decrease in 2005 is due primarily to a decrease in regulatory assets, which is discussed in more detail below.

Electric plant, net of accumulated depreciation, decreased $15,972 for both 2005 and 2004, while the cost of electric plant assets for 2003, 2004 and 2005 remained the same at $445,229. The cost associated with the asset retirement obligation ("ARO") included in the cost of electric plant for 2003, 2004 and 2005 remained the same at $33,949. The decrease of $15,972 for 2005 and 2004 was reflective of recognizing depreciation expense of $14,841 for electric plant assets and $1,131 for recognition of depreciation expense on the AROs, in each of these years.

Regulatory assets at December 31, 2005 were $59,461. This was a decrease of $187,353 for 2005 while 2004 had an increase of $68,705 from 2003. These changes were directly related to a lightning strike that occurred in 2003 to three diesel units. Revenues were collected from JV1 members beginning in 2004 to repair the units and will continue through 2006. This collection includes approximately $55,000 for new capital equipment, which will be purchased in 2006. In 2004 and 2003, maintenance expense was $190,598 and $182,837 respectively. This was primarily related to the repair of these three units. Regulatory assets contain amounts deferred. Deferred amounts are recorded in the statements of revenues, expenses and changes in net assets as the corresponding expense is realized.

Current assets as of December 31, 2005 were $214,881. This was a decrease in 2005 of $16,057 or 7.0%. In 2005, cash decreased $47,620, primarily due to the repayment of a loan to AMP-Ohio while receivables increased $37,077, primarily related to increased billings to recover costs related to damages from the lightning strike. Fuel inventory increased $5,555 in 2005 as a result of higher inventory levels and higher diesel fuel costs. Prepaid expenses decreased $11,069 in 2005, primarily as a result of the timing of payments. The 2005 insurance premium was paid in 2004. Current assets increased $34,362 in 2004 with a majority resulting from an increase in receivables of $15,477, prepaids of $10,719, and fuel inventory of $7,740.

Total net assets and liabilities decreased $219,382 or 28.8 % in 2005 compared to 2004. Total net assets and liabilities increased $87,094 in 2004. These changes in total net assets and liabilities are explained in the categories below.

Net assets decreased $7,965 or 1.7% in 2005 compared to 2004. This decrease in 2005 is primarily due to the total operating loss. Net assets increased $11,255 or 2.5% in 2004 compared to 2003. This increase is the result of the total operating gain.

Current liabilities as of December 31, 2005 were $22,793. This was a decrease of $14,346, or 38.6% in 2005. The decrease in 2005 was primarily related to a decrease in accounts payable. Current liabilities of $37,139 decreased $126,955 or 77.4% in 2004. The primary factor relating to this decrease was a decrease of $141,381 in the accrual for the inspection and teardown of the three generators damaged in the lightning strike on August 27, 2003.

Noncurrent liabilities as of December 31, 2005 were $63,575. This was a decrease of $197,071, or 75.6% in 2005. The decrease was primarily the result of repayment of a $200,000 loan from AMP-Ohio to repair the units damaged in the lightning strike. Noncurrent liabilities of $260,646 increased $202,794 or 350.5% in 2004. This increase related to a $200,000 long-term borrowing to cover the expenses relating to the repair of the three generators damaged on August 27, 2003.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	2003
Operating revenues	$ 363,708	$ 245,225	$ 185,737
Operating expenses	376,753	237,064	181,237
Operating (loss) income	(13,045)	8,161	4,500
Nonoperating revenue			
Investment income	5,080	3,094	1,170
Change in net assets	$ (7,965)	$ 11,255	$ 5,670

Electric revenues in 2005 were $363,708. This was an increase of $118,483 or 48.3% for 2005. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any. Generation increased to 306 megawatt hours in 2005 versus 122 megawatt hours produced in 2004. All units were fully operational in 2005 for the entire year. Revenue increased in 2005 as a result of increased billings to collect funds to repair the three units damaged in the lightning strike. Operating revenues increased $59,488 or 32.0% in 2004. Energy production significantly decreased in 2004 with a total of 122 megawatt hours produced in 2004 versus 486 megawatt hours produced in 2003. The decreased production was due to the units not operating during 2004 due to damage from the lightning strike. The three units were down from August 2003 through September 2004 and were fully operational in October 2004. Operating revenues increased despite the reduction in energy production because of an increase in billings to participants to recover the cost of repairing the damaged units.

Operating expenses in 2005 were $376,753. This is an increase of $139,689 or 58.9% compared to 2004. The increases in operating expenses in 2005 were a result of an increase in future recoverable costs related to the storm damage of $256,058, an increase in diesel fuel expense of $24,350 due to increased prices and increased generation, offset by a decrease in repairs and maintenance expenses of $166,975. Operating expenses increased $55,827 or 30.8% in 2004 primarily due to increases in maintenance expenses and future recoverable costs.

Investment income in 2005 was $5,080, which was an increase of $1,986 or 64.2% for 2005. Investment income for OMEGA JV1 is interest earned on checking account for the Operating Funds held at a bank. Increases in 2005 were the result of higher average cash balances at higher interest rates. Investment income increased $1,924 or 164.4% in 2004 due to an increased operating cash balance and a steadily increasing interest rate during 2004.

Ohio Municipal Electric Generation Agency Joint Venture 1
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Electric plant		
Electric generators	$ 444,178	$ 444,178
Fuel tank	35,000	35,000
Accumulated depreciation	(211,731)	(195,759)
Total electric plant	267,447	283,419
Regulatory assets	59,461	246,814
Current assets		
Cash and cash equivalents	116,028	163,648
Receivables from participants	3,994	17,588
Receivables from related parties	62,363	11,692
Fuel inventory	26,064	20,509
Prepaid expenses	6,432	17,501
Total current assets	214,881	230,938
Total assets	$ 541,789	$ 761,171
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 267,447	$ 283,419
Unrestricted	187,974	179,967
Total net assets	455,421	463,386
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	13,926	26,468
Payable to related parties	8,867	10,671
Total current liabilities	22,793	37,139
Noncurrent liabilities		
Asset retirement obligation	63,575	60,646
Note payable to related party	-	200,000
Total noncurrent liabilities	63,575	260,646
Total liabilities	86,368	297,785
Total net assets and liabilities	$ 541,789	$ 761,171

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

Ohio Municipal Electric Generation Agency Joint Venture 1
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Electric revenue	$ 363,708	$ 245,225
Operating Expenses		
Related party services	65,172	51,494
Depreciation	15,972	15,973
Accretion of asset retirement obligation	2,929	2,794
Fuel	31,894	7,544
Maintenance	23,623	190,598
Utilities	11,417	5,409
Insurance	19,952	17,956
Professional services	11,358	9,342
Interest expense	5,236	2,784
Other operating expenses	1,847	1,875
Future recoverable costs	187,353	(68,705)
Total operating expenses	376,753	237,064
Operating (loss) income	(13,045)	8,161
Nonoperating Revenues		
Investment income	5,080	3,094
Change in net assets	(7,965)	11,255
Net assets, beginning of year	463,386	452,131
Net assets, end of year	$ 455,421	$ 463,386

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

Ohio Municipal Electric Generation Agency Joint Venture 1
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from participants	$ 377,302	$ 241,440
Cash paid to related parties for personnel services	(62,455)	(51,961)
Cash payments to suppliers and related parties for goods and services	(167,547)	(392,147)
Net cash provided by (used in) operating activities	147,300	(202,668)
Cash flows from investing activities		
Investment income	5,080	3,094
Net cash provided by investing activities	5,080	3,094
Cash flows from noncapital financing activities		
Proceeds from notes payable to related party	-	300,000
Payments of notes payable to related party	(200,000)	(100,000)
Net cash (used in) provided by noncapital financing activities	(200,000)	200,000
Net change in cash and cash equivalents	(47,620)	426
Cash and cash equivalents, beginning of year	163,648	163,222
Cash and cash equivalents, end of year	$ 116,028	$ 163,648
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss) income	$ (13,045)	$ 8,161
Depreciation	15,972	15,973
Accretion of asset retirement obligation	2,929	2,794
Future recoverable costs	187,353	(68,705)
Changes in assets and liabilities		
Receivables from participants	13,594	(3,785)
Receivables from related parties	(50,671)	(11,692)
Fuel inventory	(5,555)	(7,740)
Prepaid expenses	11,069	(10,719)
Accounts payable and accrued expenses	(12,542)	(134,298)
Payable to related parties	(1,804)	7,343
Net cash provided by (used in) operating activities	$ 147,300	$ (202,668)

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

1. Organization

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

2. Summary of Significant Accounting Policies

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

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 JV1 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.

Electric Plant

Electric plant is recorded at cost. Depreciation is provided on the straight-line method over 30 years, the estimated useful life of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When 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.

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

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

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

Regulatory assets consisted of the following at December 31:

	2005	2004
Regulatory assets		
Deferral of expenses related to asset retirement obligations	$ 44,714	$ 40,654
Deferral of storm damage costs	14,747	206,160
Total	$ 59,461	$ 246,814

Net Assets
All property constituting OMEGA JV1 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Cuyahoga Falls	1,894	21.05 %
Niles	1,593	17.71
Wadsworth	1,011	11.24
Hudson	934	10.37
Galion	588	6.53
Oberlin	497	5.52
Amherst	488	5.42
Hubbard	341	3.79
Columbiana	272	3.03
Wellington	265	2.95
Newton Falls	228	2.53
Monroeville	167	1.85
Lodi	155	1.72
Seville	135	1.50
Brewster	130	1.45
Grafton	105	1.16
Milan	64	0.71
Beach City	50	0.55
Prospect	45	0.50
Lucas	21	0.23
South Vienna	17	0.19
Total	9,000	100.00 %

Operating Revenue and Expenses
Electric revenue is recognized when earned as electric service is delivered. OMEGA JV1's rates for electric power are designed to cover annual operating costs. Rates are set annually by the Board of Participants.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards
In December 2004, Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV1.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle should be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

3. Electric Plant

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

	2005		
	Beginning Balance	**Additions**	**Ending Balance**
Electric generators	$ 444,178	$ -	$ 444,178
Fuel tank	35,000	-	35,000
Total electric plant in service	479,178	-	479,178
Less: Accumulated depreciation	(195,759)	(15,972)	(211,731)
Electric plant, net	$ 283,419	$ (15,972)	$ 267,447

	2004		
	Beginning Balance	**Additions**	**Ending Balance**
Electric generators	$ 444,178	$ -	$ 444,178
Fuel tank	35,000	-	35,000
Total electric plant in service	479,178	-	479,178
Less: Accumulated depreciation	(179,786)	(15,973)	(195,759)
Electric plant, net	$ 299,392	$ (15,973)	$ 283,419

4. Related Party Transactions

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV1 had a receivable from AMP-Ohio of $62,363 and $11,692 at December 31, 2005 and 2004, respectively.
- As OMEGA JV1's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were $65,172 and $51,494 for the years ended December 31, 2005 and 2004, respectively. OMEGA JV1 had a payable to MESA for $5,893 and $3,176 at December 31, 2005 and 2004, respectively.
- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of $11,417 and $5,409 for the years ended December 31, 2005 and 2004, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.
- On April 24, 2004, OMEGA JV1 borrowed $300,000 under a promissory note from AMP-Ohio that bears interest at AMP-Ohio's interest rate on its revolving credit loan up to 7% per annum. The balance outstanding was $0 and $200,000 at December 31, 2005 and 2004, respectively.
- OMEGA JV1 purchased fuel from OMEGA JV2 and OMEGA JV5. OMEGA JV1 had a payable to OMEGA JV5 for $2,974 at December 31, 2005 and a payable to OMEGA JV2 for $7,495 at December 31, 2004.

5. Cash and Cash Equivalents

At December 31, 2005 and 2004, $116,028 and $163,648, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government.

6. Risk Management

OMEGA JV1 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage.

7. Asset Retirement Obligations

Under the terms of lease agreements, OMEGA JV1 has an obligation to remove electric generators from the leased sites on which the units are located and to perform certain restoration of the sites.

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

	2005		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 60,646	$ 2,929	$ 63,575

	2004		
	Beginning Balance	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 57,852	$ 2,794	$ 60,646

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

8. Commitments and Contingencies

Participant Credit Risk

In March 2004, OMEGA JV1 became aware that the City of Galion ("Galion") was experiencing financial difficulties. Galion is an all requirements member participating in OMEGA JV1 to the extent of approximately 6% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code ("ORC"). In accordance with the ORC, the Galion Financial Planning and Supervision Commission (the "Commission") was formed. On January 25, 2005, the Galion City Council adopted a fiscal recovery plan. The plan was submitted to the Commission on January 27, 2005. OMEGA JV1 continues to monitor Galion's ability to stay current with its obligations to OMEGA JV1.

Environmental Matters

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

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

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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 1

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") as of and for the year ended December 31, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or error in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether OMEGA JV1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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

March 31, 2006

Ohio Municipal Electric Generation Agency Joint Venture 2

Financial Statements
December 31, 2005 and 2004

Ohio Municipal Electric Generation Agency Joint Venture 2
Index
December 31, 2005 and 2004

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2

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 2 ("OMEGA JV2") at December 31, 2005 and 2004, 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 JV2'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 March 31, 2006 on our consideration of OMEGA JV2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2005. 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
March 31, 2006

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") for the years ended December 31, 2005 and 2004. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV2 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV2's basic financial statements include the 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 JV2 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operatin g, noncapital financing, investing and capital and related financing activities.

Financial Highlights

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

Condensed Balance Sheets

	2005	2004	2003
Assets			
Electric Plant, net of accumulated depreciation	$ 43,422,472	$ 46,318,184	$ 49,224,263
Regulatory assets	605,782	477,961	354,099
Restricted assets	473,603	406,969	373,209
Current assets	1,864,723	1,484,032	1,035,282
Total assets	$ 46,366,580	$ 48,687,146	$ 50,986,853
Net Assets and Liabilities			
Net assets	$ 44,379,656	$ 46,886,266	$ 49,340,339
Current liabilities	252,525	202,552	151,537
Noncurrent liabilities	1,734,399	1,598,328	1,494,977
Total net assets and liabilities	$ 46,366,580	$ 48,687,146	$ 50,986,853

Total assets of $46,366,580 decreased $2,320,566 or 4.8% in 2005. This compares to a decrease of total assets of $2,299,707 or 4.5% in 2004, over 2003.

Electric plant, net of accumulated depreciation decreased $2,895,712 for 2005 and $2,906,079 for 2004. The cost of electric plant assets, excluding the cost associated with asset retirement obligations, remained the same at $56,874,136 for each of the years 2005, 2004 and 2003. The decreases were due primarily to increases in accumulated depreciation.

Regulatory assets at December 31, 2005 were $605,782. This was an increase of $127,821 in 2005 compared to 2004. Regulatory assets in 2004 increased $123,862 over 2003. The increases were due primarily to increases in accretion expense related to asset retirement obligations.

Restricted assets at December 31, 2005 were $473,603. This was an increase of $66,634 in 2005 compared to 2004, and an increase of $33,760 in 2004 compared to 2003. The increase in both years was due to increased deposits to the overhaul fund of $59,336 and $30,830, respectively.

Current assets as of December 31, 2005 were $1,864,723. This was an increase in 2005 of $380,691 compared to 2004, and an increase of $448,750 in 2004 compared to 2003. In 2005, cash increased $278,285 primarily due to a net loss on operations of $2,506,610, offset in part by noncash depreciation expense of $2,903,704, and inventory purchases of $102,301. Accounts receivables increased $72,834 primarily as a result of increased accounts receivable of $93,417 from related parties. Inventories increased $102,301 primarily as a result of higher inventory levels and increases in diesel fuel costs. Prepaid expenses decreased $72,729 primarily as a result of timing of payments. The 2005 insurance premium was paid in December 2004. In 2004, the increase in current assets of $448,750 was a result of an increase in cash of $304,815, an increase in accounts receivable of $66,895, an increase in inventories of $21,124 and an increase in prepaid expenses of $55,916.

Net assets as of December 31, 2005 were $44,379,656. This was a decrease of $2,506,610 in 2005, while in 2004 net assets decreased $2,454,073. These reductions are equal to net operating losses for these periods.

Current liabilities as of December 31, 2005 were $252,525. This was an increase of $49,973 in 2005, while 2004 had an increase of $51,015. The increase from 2004 to 2005 was primarily due to an increase in accounts payable of $41,761. The increase from 2003 to 2004 was primarily due to an increase in accounts payable of $42,192 and an increase in accrued expenses of $8,826.

Noncurrent liabilities as of December 31, 2005 were $1,734,399. This was an increase of $136,071 in 2005, while 2004 had an increase of $103,351. These increases were primarily due to increases in deposits by the Participants to the overhaul fund for major repairs and maintenance and increases in asset retirement obligations of $76,735 in 2005 compared to 2004, and an increase of $72,521 in 2004 compared to 2003.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	2003
Operating revenues	$ 2,757,613	$ 2,329,762	$ 2,254,659
Operating expenses	5,315,985	4,802,075	4,879,784
Operating loss	(2,558,372)	(2,472,313)	(2,625,125)
Nonoperating revenue			
Investment income	51,762	18,240	5,802
Change in net assets	$ (2,506,610)	$ (2,454,073)	$ (2,619,323)

Electric revenues in 2005 were $2,757,613; this was an increase of $427,851 for 2005, while 2004 increased by $75,103 over 2003. OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expense. OMEGA JV2 does not include in their rates any bond payments by OMEGA JV2 financing members that are made directly to AMP-Ohio. The 2005 operating revenue increase of $427,851 is attributable to the increase in energy production from the generating units. In 2005, the energy production was 7,467 megawatt hours compared to 4,515 megawatt hours in 2004.

Operating expenses in 2005 were $5,315,985. This was an increase of $513,910 in 2005 compared to 2004. In 2004, operating expenses decreased $77,709 compared to 2003. Diesel fuel expense for 2005 was $830,185, but in 2004 was $406,333 and in 2003 it was $318,835. In 2004, the $77,709 decrease in operating expenses over 2003 was due primarily to a decrease in insurance expense of $37,433, a decrease in related party services of $94,376, a decrease in maintenance expense of $13,606, a decrease in professional services of $9,756, a decrease in other expense of $6,845, offset by an increase in diesel fuel expense of $87,498.

Investment income in 2005 was $51,762, which was an increase of $33,522 for 2005 and 2004 had an increase of $12,438. Investment income of $44,464 was earned on the checking account for the Operating Funds held at the bank. Interest income of $7,298 was on funds held by trustee as a requirement of the bond obligation for benefit of the OMEGA JV2 financing members, these funds were invested in short-term government backed securities or the trust agency's money market account.

Ohio Municipal Electric Generation Agency Joint Venture 2
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Electric plant and equipment		
Electric generators	$ 58,061,878	$ 58,053,886
Vehicles	33,100	33,100
Accumulated depreciation	(14,672,506)	(11,768,802)
Total electric plant and equipment	43,422,472	46,318,184
Regulatory assets	605,782	477,961
Restricted assets		
Funds held by trustee	239,156	231,858
Overhaul fund	234,447	175,111
Total restricted assets	473,603	406,969
Current assets		
Cash and cash equivalents	1,196,488	918,203
Receivables from participants	230,498	251,081
Receivables from related parties	100,912	7,495
Inventory	248,569	146,268
Prepaid expenses	88,256	160,985
Total current assets	1,864,723	1,484,032
Total assets	$ 46,366,580	$ 48,687,146
Net Assets and Liabilities		
Net assets		
Invested in capital assets	$ 43,422,472	$ 46,318,184
Restricted	473,603	406,969
Unrestricted	483,581	161,113
Total net assets	44,379,656	46,886,266
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	220,275	152,329
Payable to related parties	32,250	50,223
Total current liabilities	252,525	202,552
Noncurrent liabilities		
Regulatory liabilities	234,447	175,111
Asset retirement obligation	1,499,952	1,423,217
Total noncurrent liabilities	1,734,399	1,598,328
Total liabilities	1,986,924	1,800,880
Total net assets and liabilities	$ 46,366,580	$ 48,687,146

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

Ohio Municipal Electric Generation Agency Joint Venture 2
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Electric revenue	$ 2,757,613	$ 2,329,762
Operating Expenses		
Related party services	639,011	613,671
Depreciation	2,903,704	2,913,362
Accretion of asset retirement obligation	68,743	65,238
Fuel	830,185	406,333
Maintenance	478,944	494,759
Utilities	171,321	95,964
Insurance	199,113	201,346
Professional services	98,414	94,527
Other operating expenses	54,371	40,737
Future recoverable costs	(127,821)	(123,862)
Total operating expenses	5,315,985	4,802,075
Operating loss	(2,558,372)	(2,472,313)
Nonoperating Revenues		
Investment income	51,762	18,240
Change in net assets	(2,506,610)	(2,454,073)
Net assets, beginning of year	46,886,266	49,340,339
Net assets, end of year	$ 44,379,656	$ 46,886,266

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

Ohio Municipal Electric Generation Agency Joint Venture 2
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from participants	$ 2,837,532	$ 2,301,192
Cash paid to related parties for personnel services	(487,639)	(452,070)
Cash payments to suppliers and related parties for goods and services	(2,056,736)	(1,528,787)
Net cash provided by operating activities	293,157	320,335
Cash flows from investing activities		
Deposit to overhaul fund	(59,336)	(30,830)
Purchases of investments	(701,287)	(690,009)
Proceeds from sale of investments	693,989	687,079
Investment income received	51,762	18,240
Net cash used in investing activities	(14,872)	(15,520)
Net change in cash and cash equivalents	278,285	304,815
Cash and cash equivalents, beginning of year	918,203	613,388
Cash and cash equivalents, end of year	$ 1,196,488	$ 918,203
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (2,558,372)	$ (2,472,313)
Depreciation	2,903,704	2,913,362
Accretion of asset retirement obligation	68,743	65,238
Future recoverable costs	(127,821)	(123,862)
Deferred revenue	59,336	30,830
Changes in assets and liabilities		
Receivables from participants	20,583	(59,400)
Receivables from related parties	(93,417)	(7,495)
Inventory	(102,301)	(21,124)
Prepaid expenses	72,729	(55,916)
Accounts payable and accrued expenses	67,946	57,062
Payable to related parties	(17,973)	(6,047)
Net cash provided by operating activities	$ 293,157	$ 320,335
Supplemental disclosure of noncash capital and related financing activities		
Addition to plant from asset retirement obligations	$ 7,992	$ 7,283

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

1. Organization

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

2. Summary of Significant Accounting Policies

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

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 JV2 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.

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

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that 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 value with unrealized and realized gains and losses included in nonoperating revenues in the statements of revenues, expenses and changes in net assets. Gains and losses on investment transactions are determined on a specific-identification basis.

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

Asset Retirement Obligations
OMEGA JV2 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Regulatory Assets and Liabilities
OMEGA JV2 records regulatory assets (deferred expenses to be recovered in rates in future periods). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. Regulatory liabilities consist of deferred revenue related to amounts prepaid by the Participants for major repairs and maintenance and is recorded as income when the related expenditure occurs.

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

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.86 %
Bowling Green	19,198	14.32
Niles	15,400	11.48
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Marys	4,000	2.98
Montpelier	4,000	2.98
Shelby	2,536	1.89
Versailles	1,660	1.24
Edgerton	1,460	1.09
Yellow Springs	1,408	1.05
Oberlin	1,217	0.91
Pioneer	1,158	0.86
Seville	1,066	0.80
Grafton	1,056	0.79
Brewster	1,000	0.75
Monroeville	764	0.57
Milan	752	0.56
Oak Harbor	737	0.55
Elmore	364	0.27
Jackson Center	300	0.22
Napoleon	264	0.20
Lodi	218	0.16
Genoa	199	0.15
Pemberville	197	0.15
Lucas	161	0.12
South Vienna	123	0.09
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.05
Arcanum	44	0.03
Custar	4	0.00
	134,096	100.00 %
Reserves	4,554	
kW capacity of the Project	$ 138,650	

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

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV2 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 6). Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

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 December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV2.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle should be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV2.

3. Electric Plant and Equipment

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

	2005		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 58,053,886	$ 7,992	$ 58,061,878
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	58,086,986	7,992	58,094,978
Less: Accumulated depreciation	(11,768,802)	(2,903,704)	(14,672,506)
Electric plant and equipment, net	$ 46,318,184	$ (2,895,712)	$ 43,422,472

	2004		
	Beginning Balance	Additions	Ending Balance
Electric generators	$ 58,046,603	$ 7,283	$ 58,053,886
Vehicles	33,100	-	33,100
Total electric plant and equipment in service	58,079,703	7,283	58,086,986
Less: Accumulated depreciation	(8,855,440)	(2,913,362)	(11,768,802)
Electric plant and equipment, net	$ 49,224,263	$ (2,906,079)	$ 46,318,184

4. Related Party Transactions

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV2 incurred expenses related to these services in the amount of $153,461 and $155,522 for the years ended December 31, 2005 and 2004, respectively, and had a receivable due from AMP-Ohio in the amount of $83,184 for payment of charges related to AMP-Ohio, and a payable to AMP-Ohio for $15,884 at December 31, 2005 and 2004, respectively.

- As OMEGA JV2's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were $485,550 and $458,149 for the years ended December 31, 2005 and 2004, respectively, and had a payable to MESA for $32,250 and $34,339 at December 31, 2005 and 2004, respectively.

- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of $171,321 and $95,964 for these services for the years ended December 31, 2005 and 2004, respectively.

- OMEGA JV2 had a receivable from OMEGA JV5 in the amount of $17,728 at December 31, 2005 for payment of charges related to OMEGA JV5 and a receivable from OMEGA JV1 in the amount of $7,495 at December 31, 2004 from the sale of fuel to OMEGA JV1.

5. Cash and Cash Equivalents and Restricted Assets

At December 31, 2005 and 2004, $1,670,091 and $1,325,172, respectively, was invested in certain money market funds, including funds held as restricted assets which invest principally in obligations guaranteed by the United States government.

6. Acquisition of the Project

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

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

The OMEGA JV2 Bonds were not issued by OMEGA JV2 and the financing participants make debt service payments directly to AMP-Ohio. Therefore, the OMEGA JV2 Bonds are not recorded in the financial statements of OMEGA JV2. The OMEGA JV2 Bonds outstanding at December 31, 2005, are as follows:

Maturity Date January 1,	Principal Amount	Interest Rate
2006	$ 1,860,000	4.00 %
2007	1,940,000	4.05 %
2008	2,020,000	4.10 %
2009	2,120,000	4.15 %
2010	2,225,000	5.00 %
2011	2,335,000	5.25 %
2012	2,460,000	5.25 %
2013	2,590,000	5.25 %
2014	2,725,000	5.25 %
2015	2,865,000	5.25 %
2016	3,015,000	5.25 %
2017	3,175,000	5.25 %
2021	14,280,000	4.75 %
	$ 43,610,000	

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

The OMEGA JV2 Bonds are payable solely from the municipal electric utility system revenues of OMEGA JV2 financing members. The OMEGA JV2 Bonds require that each financing member maintain a debt service coverage ratio of 1.1 or greater.

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

7. Restricted Assets

Restricted assets include those assets comprising the Reserve and Contingency Fund and the Overhaul Fund, which are established and maintained pursuant to the Agreement. The investments were held in money market funds at December 31, 2005 and 2004.

The Agreement requires the Reserve and Contingency Fund to maintain a balance of $225,000. This amount was collected from the Participants in January 2001. Of this amount, $176,355 was collected from OMEGA JV2 participants who financed their capital contribution by participating in the bond issue. The fund is held by the bond trustee. In accordance with the trust indenture related to the bonds issued on behalf of OMEGA JV2 financing participants, amounts collected from financing participants may be used in the event of nonpayment of bond debt service.

OMEGA JV2 also collects and holds amounts from all participants to be reserved in an Overhaul Fund for future major maintenance and repairs.

8. Asset Retirement Obligations

Under the terms of lease agreements, OMEGA JV2 has an obligation to remove electric generators from the leased sites where the units are located and to perform certain restoration of the sites.

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

	2005			
	Beginning Balance	**Revisions to Estimate**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,423,217	$ 7,992	$ 68,743	$ 1,499,952

	2004			
	Beginning Balance	**Revisions to Estimate**	**Accretion Expense**	**Ending Balance**
Asset retirement obligation	$ 1,350,696	$ 7,283	$ 65,238	$ 1,423,217

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

9. Risk Management

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

10. Commitments and Contingencies

Participant Credit Risk

In March 2004, OMEGA JV2 became aware that the City of Galion ("Galion") was experiencing financial difficulties. Galion is an all requirements member participating in the Project to the extent of approximately 4% of output. In a report dated August 9, 2004, the Auditor of State of Ohio declared that a state of fiscal emergency exists at Galion as defined under the Ohio Revised Code ("ORC"). In accordance with the ORC, the Galion Financial Planning and Supervision Commission (the "Commission") was formed. On January 25, 2005, the Galion City Council adopted a fiscal recovery plan. The plan was submitted to the Commission on January 27, 2005. OMEGA JV2 continues to monitor Galion's ability to stay current with its obligations to OMEGA JV2 and the project financing.

Environmental Matters

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

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

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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 2

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") as of and for the year ended December 31, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether OMEGA JV2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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
March 31, 2006

Ohio Municipal Electric Generation Agency Joint Venture 4

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Index
December 31, 2005 and 2004

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Report of Independent Auditors

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4

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 4 ("OMEGA JV4") at December 31, 2005 and 2004, 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 JV4'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 March 31, 2006 on our consideration of OMEGA JV4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2005. 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

March 31, 2006

Financial Statement Overview
This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") for the years ended December 31, 2005 and 2004. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV4 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV4's basic financial statements include the 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 JV4 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing and capital and related financing activities.

Financial Highlights
The following table summarizes the financial position of OMEGA JV4 as of December 31:

Condensed Balance Sheets

	2005	2004	2003
Assets			
Transmission line, net of accumulated depreciation	$ 1,926,768	$ 1,457,914	$ 1,532,113
Current assets	819,238	1,180,753	859,108
Total assets	$ 2,746,006	$ 2,638,667	$ 2,391,221
Net Assets and Liabilities			
Net assets	$ 2,711,723	$ 2,622,025	$ 2,374,200
Current liabilities	34,283	16,642	17,021
Total net assets and liabilities	$ 2,746,006	$ 2,638,667	$ 2,391,221

Total assets of $2,746,006 increased $107,339 or 4.1% in 2005. This increase is a result of an increase in transmission line, net of accumulated depreciation, of $468,854, partially offset by a net decrease in current assets of $361,515.

Total assets increased $247,446 or 10.3% in 2004. This increase is a result of an increase in current assets of $321,645, partially offset by a decrease in transmission line of $74,199, primarily as a result of depreciation.

Transmission line, net of accumulated depreciation at December 31, 2005 was $1,926,768. This was an increase of $468,854, or 32.2%. The increase of $468,854 was the result of capitalizing three projects for a total of $544,872: 1) 69kV Underground Improvements $286,241; 2) 69kV Reconductor Project $244,486; and 3) obtaining a right-of-way over Norfolk Southern's railroad line for $14,145, offset by depreciation.

In 2004, transmission line, net of depreciation decreased $74,199 or 4.8%. The decrease is a result of an increase in accumulated depreciation. The incremental increase in depreciation expense of $6,579 in 2005 was a direct result of depreciation expense beginning on the 2005 purchases. OMEGA JV4 has no asset retirement obligations included in transmission line.

Current assets decreased $361,515 or 30.6% in 2005. Cash decreased $304,293 primarily due to capital expenditures of $544,872 and distributions to participants of $344,700, offset in part by income before distributions, net of depreciation expense, of $358,380. Accounts receivable decreased $26,168, due primarily to a decrease in rates in the fourth quarter of 2005. Accounts receivable from a related party decreased primarily as a result of a decrease in transmission rates in December 2005. Prepaid insurance decreased $12,407 primarily as a result of timing of payments. The 2005 insurance premiums were paid in December 2004.

Current assets increased $321,645 or 37.4% in 2004. Cash increased $355,950 primarily due to higher than budgeted revenues and lower than budgeted operations and maintenance expenses. Receivables decreased $46,818. Prepaid expenses increased by $12,513 due to an increase in insurance costs during 2004.

Total net assets and liabilities increased $107,339 or 4.1% in 2005. Net assets as of December 31, 2005 were $2,711,723; this was an increase of $89,698 in 2005. The 2005 increase of $89,698 was attributable to earnings of $434,398 offset by distributions to participants of $344,700.

Total net assets and liabilities increased $247,446 or 10.3% in 2004. Net assets as of December 31, 2004 were $2,622,025. The 2004 increase of $247,825 was attributable to earnings of $615,846 offset by distributions to participants of $368,021.

Current liabilities as of December 31, 2005 were $34,283, this was an increase of $17,641 in 2005 due primarily to an increase in accounts payable to a related party of $16,715 and an increase in accrued expenses of $926. Current liabilities as of December 31, 2004, of $16,642, decreased slightly, by $379, from 2003.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	2003
Operating revenues	$ 639,534	$ 784,428	$ 752,731
Operating expenses	235,330	182,392	287,882
Operating income	404,204	602,036	464,849
Nonoperating revenues			
Investment income	30,194	13,810	5,119
Income before distributions	434,398	615,846	469,968
Distributions to participants	344,700	368,021	361,306
Change in net assets	$ 89,698	$ 247,825	$ 108,662

Transmission revenues in 2005 were $639,534; this was a decrease of $144,894 or 18.5% compared to 2004. In 2005, OMEGA JV4 renegotiated contracts and rates with participants and the primary customer. The renegotiated contracts became effective in the fourth quarter of 2005. Rates for revenue were set at $22,500 per month. Previous rates were variable based on actual transmission line usage. This resulted in a decrease in operating revenues in 2005.

Operating revenues increased $31,697 or 4.2% in 2004. Transmission revenue is the only source of revenue and is established according to contracts and operating budgets that are approved annually by the participants.

Operating expenses in 2005 were $235,330, an increase of $52,938 or 29.0% compared to 2004. Three primary factors effected the $52,938 increase in operating expenses for 2005: 1) Maintenance expense increased $30,279 (this increase related to clearing brush under the transmission lines); 2) services to Municipal Energy Services Agency increased $12,128 (related to management of the construction projects); and 3) depreciation expense increased $6,579 relating to the $544,872 in new assets purchased in 2005. The $105,490 reduction in operating expenses in 2004 was primarily related to writing off obsolete repair parts inventory in 2003 of $130,808. Maintenance expense in 2004 was $120,281 less than in 2003.

Operating expenses decreased $105,490 or 36.6% in 2004. The decrease is due primarily to the write-off of obsolete inventory in 2003.

Investment income in 2005 was $30,194, which was an increase of $16,384 or 118.6% compared to 2004. The 2005 increase was a result of higher investment rates.

Investment income increase $8,691 or 169.8% compared to 2003. The 2004 increase was due to higher cash investments at higher interest rates.

Ohio Municipal Electric Generation Agency Joint Venture 4
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Utility plant		
Transmission line	$ 2,606,510	$ 2,061,638
Accumulated depreciation	(679,742)	(603,724)
Total utility plant	1,926,768	1,457,914
Current assets		
Cash and cash equivalents	778,952	1,083,245
Receivables	37,830	63,998
Receivable from related party	-	18,647
Prepaid expenses	2,456	14,863
Total current assets	819,238	1,180,753
Total assets	$ 2,746,006	$ 2,638,667
Net Assets and Liabilities		
Net assets		
Invested in capital assets	$ 1,926,768	$ 1,457,914
Unrestricted	784,955	1,164,111
Total net assets	2,711,723	2,622,025
Commitments and contingencies		
Current liabilities		
Accrued expenses	13,942	13,016
Payable to related party	20,341	3,626
Total current liabilities	34,283	16,642
Total net assets and liabilities	$ 2,746,006	$ 2,638,667

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

Ohio Municipal Electric Generation Agency Joint Venture 4
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Transmission revenue	$ 639,534	$ 784,428
Operating Expenses		
Related party personnel services	74,739	62,611
Depreciation	76,018	69,439
Maintenance	40,955	10,676
Professional services	15,824	13,683
Other operating expenses	27,794	25,983
Total operating expenses	235,330	182,392
Operating income	404,204	602,036
Nonoperating Revenues		
Investment income	30,194	13,810
Income before distributions	434,398	615,846
Distributions to participants		
Bryan	(144,774)	(154,589)
Pioneer	(103,410)	(110,412)
Montpelier	(86,175)	(92,016)
Edgerton	(10,341)	(11,004)
Total distributions	(344,700)	(368,021)
Change in net assets	89,698	247,825
Net assets, beginning of year	2,622,025	2,374,200
Net assets, end of year	$ 2,711,723	$ 2,622,025

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

Ohio Municipal Electric Generation Agency Joint Venture 4
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from participants and customers	$ 665,702	$ 838,372
Cash paid to related parties for personnel services	(73,502)	(63,479)
Cash paid to suppliers and related parties for goods and services	(37,115)	(64,732)
Net cash provided by operating activities	555,085	710,161
Cash flows from noncapital financing activities		
Distributions to participants	(344,700)	(368,021)
Net cash used in noncapital financing activities	(344,700)	(368,021)
Cash flows from capital and related financing activities		
Capital expenditures	(544,872)	-
Net cash used in capital and related financing activities	(544,872)	-
Cash flows from investing activities		
Investment income received	30,194	13,810
Net cash provided by investing activities	30,194	13,810
Net change in cash and cash equivalents	(304,293)	355,950
Cash and cash equivalents, beginning of year	1,083,245	727,295
Cash and cash equivalents, end of year	$ 778,952	$ 1,083,245
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 404,204	$ 602,036
Depreciation	76,018	69,439
Loss on disposal of assets	-	4,760
Changes in assets and liabilities		
Receivables	26,168	53,944
Receivable from related party	18,647	(7,126)
Prepaid expenses	12,407	(12,513)
Accrued expenses	926	489
Payable to related party	16,715	(868)
Net cash provided by operating activities	$ 555,085	$ 710,161

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

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") was organized by four subdivisions of the State of Ohio (the "Participants") on December 1, 1995, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Williams County Transmission Project (the "Project"). The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). OMEGA JV4 owns and operates the Project. The Project consists of a 69-kW three-phase transmission line located in Williams County, Ohio. During 2005 and 2004 OMEGA JV4 derived a majority of its revenue from two customers. The Agreement continues until 60 days subsequent to the termination or disposition of the Project; provided, however, that each Participant shall remain obligated to pay to OMEGA JV4 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

2. Summary of Significant Accounting Policies

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

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 JV4 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 the 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.

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

The transmission line is assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that 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 JV4 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by

regulatory assets to be recovered through future billings to Participants. OMEGA JV4 has determined that the asset retirement obligation associated with the transmission line has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV4 has not recorded an asset retirement obligation for the transmission line. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined. Additionally, no asset retirement obligation exists in relation to the utility poles owned by OMEGA JV4 as OMEGA JV4 determined there were no legal requirements currently in place that would mandate special disposal of the utility poles as they are replaced.

Net Assets

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

Municipality	Percent Project Ownership and Entitlement
Bryan	42.00 %
Pioneer	30.00 %
Montpelier	25.00 %
Edgerton	3.00 %
Total	100.00 %

Operating Revenue and Expenses

Operating revenues are recognized when transmission service is delivered. OMEGA JV4's rates for transmission service are set by contracts with the customers.

Use of Estimates

The preparation of the 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In December 2004, Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV4.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3,* which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle should be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

3. Utility Plant

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

	2005			
	Beginning Balance	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Transmission line	$ 2,061,638	$ 544,872	$ -	$ 2,606,510
Less: Accumulated depreciation	(603,724)	(76,018)	-	(679,742)
Utility plant, net	$ 1,457,914	$ 468,854	$ -	$ 1,926,768

	2004			
	Beginning Balance	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Transmission line	$ 2,061,638	$ -	$ -	$ 2,061,638
Construction in process	4,760	-	(4,760)	-
Total utility plant	2,066,398	-	(4,760)	2,061,638
Less: Accumulated depreciation	(534,285)	(69,439)	-	(603,724)
Utility plant, net	$ 1,532,113	$ (69,439)	$ (4,760)	$ 1,457,914

4. Related Party Transactions

OMEGA JV4 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. OMEGA JV4 had a payable due to AMP-Ohio in the amount of $15,478 at December 31, 2005. OMEGA JV4 had a receivable due from AMP-Ohio in the amount of $18,647 at December 31, 2004.

- As OMEGA JV4's agent, AMP-Ohio entered into an agreement with the Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services to OMEGA JV4. The expenses related to these services were $74,739 and $62,611 for the years ended December 31, 2005 and 2004, respectively. Additionally, OMEGA JV4 capitalized $25,398 of labor provided by MESA into the cost of the transmission line during the year ended December 31, 2005. OMEGA JV4 had a payable to MESA of $4,863 and $3,626 at December 31, 2005 and 2004, respectively.

5. Cash and Cash Equivalents

At December 31, 2005 and 2004, $778,952 and $1,083,245, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government.

The Board of Participants have designated $494,486 and $836,333 of cash and cash equivalents as an operations and maintenance reserve fund at December 31, 2005 and 2004, respectively.

6. Risk Management

OMEGA JV4 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage. OMEGA JV4 is self-insured for property damage risks related to its transmission line.

7. Commitments and Contingencies

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. Changes in regulations could adversely affect the operations and operating cost of OMEGA JV4.

Transmission revenue in 2005 and 2004 was derived primarily from sales to two municipalities; 82% and 85%, respectively, from a nonparticipant, and 18% and 15%, respectively, from a Participant. A decision by the nonparticipant to purchase transmission service from a different provider at the end of the current contract which expires October 31, 2006, would cause a significant decline in OMEGA JV4's transmission revenue and possibly impair the carrying value of the transmission line if replacement sales could not be found. As of December 31, 2005, this contract was renewed and can be cancelled on October 31, 2007 upon written notice six months prior to cancellation.

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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 4

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 ("OMEGA JV4") as of and for the year ended December 31, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered OMEGA JV4's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether OMEGA JV4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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

March 31, 2006

Ohio Municipal Electric Generation Agency Joint Venture 5

Financial Statements and Supplemental Information December 31, 2005 and 2004

PRICEWATERHOUSECOOPERS

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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, 2005 and 2004, 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 March 31, 2006 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, 2005. 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
March 31, 2006, except for Note 9,
as to which the date is April 25, 2006

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") for the years ended December 31, 2005 and 2004. 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

	2005	2004	2003
Assets			
Utility plant	$ 155,345,413	$ 160,008,032	$ 164,682,404
Restricted assets	10,108,620	9,961,510	18,517,723
Current assets	7,118,763	6,489,833	6,964,481
Other assets	3,994,153	4,573,958	4,940,204
Total assets	$ 176,566,949	$ 181,033,333	$ 195,104,812
Net Assets and Liabilities			
Net assets	$ 9,281,983	$ 8,645,112	$ 7,893,574
Net beneficial interest certificates	127,708,849	130,883,746	144,610,340
Liabilities payable from restricted assets	7,375,525	7,307,068	6,355,667
Current liabilities	1,521,138	1,673,625	1,379,956
Regulatory and noncurrent liabilities	30,679,454	32,523,782	34,865,275
Total net assets and liabilities	$ 176,566,949	$ 181,033,333	$ 195,104,812

Utility plant assets decreased $4,662,619 in 2005 and $4,674,372 in 2004 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, 2005 were $10,108,620. This was an increase of $147,110 in 2005 compared to 2004, and a decrease of $8,556,213 in 2004 compared to 2003. The increase in 2005 was primarily due to interest earned on funds on deposit with the trustee. The decrease in 2004 was primarily due to the elimination of the Debt Service Reserve Fund that was no longer required after the refunding of 1993 Beneficial Interest Certificates with 2004 Beneficial Interest Refunding Certificates. The debt service fund was replaced by a surety bond.

Current assets at December 31, 2005 were $7,118,763. This was an increase of $628,930 for 2005 compared to 2004, and a decrease of $474,648 in 2004 compared to 2003. 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. The decrease in 2004 compared to 2003 was primarily due to a decrease in cash of $715,156, an increase in accounts receivable of $199,094, an increase in fuel inventory of $12,440, and an increase in prepaid expenses of $28,974.

Other assets at December 31, 2005 were $3,994,153. This was a decrease in 2005 compared to 2004 of $579,805, and a decrease in 2004 compared to 2003 of $366,246. 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, 2005 were $9,281,983. This was an increase in 2005 compared to 2004 of $636,871, and an increase in 2004 compared to 2003 of $751,538. These increases were the result of positive net margins in each of these years.

Net Beneficial Interest Certificates at December 31, 2005 were $127,708,849. This was a decrease in 2005 over 2004 of $3,174,897, and a decrease in 2004 over 2003 of $13,726,594. 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. The decrease in 2004 compared to 2003 is due to refunding of the 1993 Beneficial Interest Certificates totaling $131,355,000 with new 2004 Beneficial Interest Refunding Certificates totaling $116,910,000 for a total reduction of debt of $14,445,000.

Liabilities from restricted assets at December 31, 2005 were $7,375,525. This was an increase of $68,457 in 2005 compared to 2004, and an increase of $951,401 in 2004 compared to 2003. Liabilities from restricted assets remained relatively unchanged from 2005 to 2004. The increase in 2004 compared to 2003 is reflective of the refund to Participants for the excess debt service collected as required by the debt covenant.

Current liabilities at December 31, 2005 were $1,521,138. This was a decrease in 2005 compared to 2004 of $152,487, and an increase in 2004 compared to 2003 of $293,669. The decrease in 2005 over 2004 was primarily due to a decrease in accounts payable and accrued expenses, while the increase in 2004 over 2003 was primarily due to an increase in accounts payable to related parties.

Regulatory and noncurrent liabilities at December 31, 2005 were $30,679,454. This was a decrease in 2005 compared to 2004 of $1,844,328, and a decrease of $2,341,493 in 2004 compared to 2003. These decreases were primarily due to deferred revenue that was recognized for each year.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	2003
Operating revenues	$ 24,651,913	$ 21,381,400	$ 22,578,605
Operating expenses	24,324,457	20,775,490	22,030,224
Operating margin	327,456	605,910	548,381
Nonoperating revenue			
Investment income	309,415	145,628	179,892
Loss on sale of land	-	-	(33,999)
Total nonoperating revenue	309,415	145,628	145,893
Change in net assets	$ 636,871	$ 751,538	$ 694,274

Operating revenues increased $3,270,513 in 2005 compared to 2004. However, operating revenue decreased $1,197,205 in 2004 compared to 2003. The increase in 2005 compared to 2004 is a result of an increase in replacement purchased power. 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. Operating revenue decreased by $1,197,205 in 2004 compared to 2003 due primarily to a decrease in replacement purchased power. Rates for OMEGA JV5 are set based on budgets that are approved by the Board of Participants.

Operating expenses increased by $3,548,967 in 2005 compared to 2004 primarily as a result of increased replacement purchased power. Operating expenses decreased in 2004 compared to 2003 primarily as a result of a decrease in replacement purchased power.

Investment income increased from $145,628 in 2004 to $309,415 in 2005. This increase was a result of increased levels of cash on-hand and rising interest rates from 2004 to 2005. Investment income remained relatively unchanged from 2003 to 2004.

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Utility plant		
Electric plant in service	$ 186,288,814	$ 186,288,814
Land	431,881	431,881
Accumulated depreciation	(31,375,282)	(26,712,663)
Total utility plant	155,345,413	160,008,032
Restricted assets—funds held by trustee	10,108,620	9,961,510
Current assets		
Cash and cash equivalents	5,995,773	5,149,378
Receivables from participants	822,896	996,752
Receivables from related parties	2,974	-
Inventory	81,747	59,459
Prepaid expenses	215,373	284,244
Total current assets	7,118,763	6,489,833
Other assets		
Prepaid dedicated capacity	800,474	1,015,236
Prepaid bond insurance	1,581,103	1,760,239
Beneficial interest certificates' issuance costs	1,612,576	1,798,483
Total other assets	3,994,153	4,573,958
Total assets	$ 176,566,949	$ 181,033,333

Ohio Municipal Electric Generation Agency Joint Venture 5
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 23,511,564	$ 25,059,286
Restricted	6,858,095	6,719,442
Unrestricted	(21,087,676)	(23,133,616)
Total net assets	9,281,983	8,645,112
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(38,426,529)	(39,366,070)
	17,698,471	16,758,930
2004 beneficial interest refunding certificates	108,720,000	112,845,000
Unamortized premium	6,405,372	7,059,166
Unamortized cost from defeasance of 1993 beneficial interest certificates	(5,114,994)	(5,779,350)
	110,010,378	114,124,816
Net beneficial interest certificates, noncurrent	127,708,849	130,883,746
Liabilities payable from restricted assets		
Accrued interest	1,891,753	1,922,241
Debt service collected to be reimbursed to members	1,358,772	1,319,827
Beneficial interest certificates, current	4,125,000	4,065,000
Total liabilities payable from restricted assets	7,375,525	7,307,068
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	917,700	1,124,966
Payable to related parties	521,691	489,200
Regulatory liabilities—current	81,747	59,459
Total current liabilities	1,521,138	1,673,625
Noncurrent liabilities		
Regulatory liabilities	30,580,021	32,429,317
Accrued license fees	99,433	94,465
Total noncurrent liabilities	30,679,454	32,523,782
Total liabilities	167,284,966	172,388,221
Total net assets and liabilities	$ 176,566,949	$ 181,033,333

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, 2005 and 2004

	2005	2004
Operating Revenues		
Electric revenue	$ 24,651,913	$ 21,381,400
Operating Expenses		
Purchased power	9,509,332	5,274,783
Related party services	1,061,338	1,160,062
Depreciation and amortization	5,242,424	5,313,470
Maintenance	404,939	480,488
Utilities	111,976	118,158
Insurance	383,974	421,413
Professional services	175,429	123,725
Payment in lieu of taxes	839,975	839,975
Other operating expenses	590,130	583,431
Interest expense	6,004,940	6,459,985
Total operating expenses	24,324,457	20,775,490
Operating income	327,456	605,910
Nonoperating Revenues		
Investment income	309,415	145,628
Total nonoperating revenues	309,415	145,628
Change in net assets	636,871	751,538
Net assets, beginning of year	8,645,112	7,893,574
Net assets, end of year	$ 9,281,983	$ 8,645,112

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, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from participants	$ 22,911,720	$ 18,758,788
Cash paid to related parties for personnel services	(780,196)	(878,799)
Cash payments to suppliers and related parties for goods and services	(17,508,420)	(13,988,059)
Net cash provided by operating activities	4,623,104	3,891,930
Cash flows from capital and related financing activities		
Payments on beneficial interest certificates	(4,065,000)	(3,620,000)
Payments on refunding beneficial interest certificates	-	(131,355,000)
Proceeds from issuance of beneficial interest refunding certificates	-	124,584,145
Payment for cost of issuance and refunding of beneficial interest certificates	-	(4,237,899)
Proceeds from debt service to be refunded to members	1,484,009	1,319,827
Payment of debt service refunded to members	(1,445,064)	-
Proceeds from debt service reserve fund	-	10,966,000
Net cash used in capital and related financing activities	(4,026,055)	(2,342,927)
Cash flows from investing activities		
Purchases of investments	(27,404,248)	(97,403,855)
Proceeds from sale of investments	27,257,138	94,994,068
Investment income received	396,456	145,628
Net cash provided by (used in) investing activities	249,346	(2,264,159)
Net change in cash and cash equivalents	846,395	(715,156)
Cash and cash equivalents, beginning of year	5,149,378	5,864,534
Cash and cash equivalents, end of year	$ 5,995,773	$ 5,149,378
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 327,456	$ 605,910
Depreciation	4,662,619	4,674,372
Amortization of other assets	579,805	639,098
Amortization of discount, premium and defeasance cost on beneficial interest certificates	950,103	1,074,308
Deferred revenue	(1,914,049)	(2,423,518)
Changes in assets and liabilities		
Receivables from participants	173,856	(199,094)
Receivables from related parties	(2,974)	-
Inventory	(22,288)	(12,440)
Prepaid expenses	68,871	(28,974)
Accrued interest	(30,488)	(813,426)
Accounts payable and accrued expenses	(207,266)	(85,757)
Payable to related parties	32,491	366,986
Accrued license fees	4,968	94,465
Net cash provided by operating activities	$ 4,623,104	$ 3,891,930
Supplemental disclosure of noncash activities		
Noncash cost from defeasance of beneficial interest certificates	$ -	$ 5,243,000

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

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.

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.

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 %

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 December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV5.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV5.

Reclassifications
Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

3. Utility Plant

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

	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	$ 160,008,032	$ (4,662,619)	$ 155,345,413

	2004		
	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	(22,038,291)	(4,674,372)	(26,712,663)
Utility plant, net	$ 164,682,404	$ (4,674,372)	$ 160,008,032

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, 2005 and 2004 was $273,612 and $294,638, respectively. OMEGA JV5 had payables to AMP-Ohio of $437,691 and $430,173 at December 31, 2005 and 2004, respectively.
- 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, 2005 and 2004 amounted to $9,509,332 and $5,274,783, 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 $787,441 and $865,424 for the years ended December 31, 2005 and 2004, respectively. OMEGA JV5 had payables to MESA of $66,272 and $59,027 at December 31, 2005 and 2004, 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 $786,659 and $1,043,529 for the years ended December 31, 2005 and 2004, respectively.

- 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 $92,067 and $97,182 for these services for the years ended December 31, 2005 and 2004, 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

At December 31, 2005 and 2004, $5,995,773 and $5,165,482, respectively, was invested in certain money market funds, which consist principally of obligations guaranteed by the United States government.

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:

	2005	2004
Certificate Payment Fund	$ 7,241,969	$ 7,181,900
Reserve and Contingency Fund	2,866,651	2,779,610
	$ 10,108,620	$ 9,961,510

Restricted assets held at December 31 are as follows:

	2005		2004	
	Cost	Market Value	Cost	Market Value
Money market funds and cash equivalents	$ -	$ -	$ 1,431	$ 1,431
United States Treasury obligations	10,005,923	10,108,620	9,915,489	9,960,079
Total	$ 10,005,923	$ 10,108,620	$ 9,916,920	$ 9,961,510

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, 2005 and 2004 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.

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.

The 2004 Certificates outstanding at December 31, 2005, are as follows:

Maturity Date February 15,	Principal Amount	Interest Rate
2006	$ 4,125,000	4.00 %
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	8,740,000	4.75 %
	112,845,000	
Less: Current portion	(4,125,000)	
Less: Unamortized premium	6,405,372	
Less: Unamortized cost from defeasance of beneficial interest certificates	(5,114,994)	
	$110,010,378	

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 $1,358,772 and $1,319,827 for amounts to be refunded to Participants at December 31, 2005 and 2004, respectively.

The 2001 Beneficial Interest Certificates (the "2001 Certificates") outstanding at December 31, 2005 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 %
	56,125,000	
Less: Unamortized discount	(38,426,529)	
	$ 17,698,471	

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").

At December 31, 2005, based upon unaudited financial information for the year 2005, one Participant was not able to affirmatively certify its compliance with the debt service coverage ratio requirement of the Joint Venture Agreement. The Participant represented to OMEGA JV5 that this inability to certify results from (i) unexpected increases in power costs and (ii) payments of the Service Elimination Charge Adjustment approved by the Federal Energy Regulatory Commission ("FERC"), both of which were incurred in 2005 but which are currently being recovered. The Participant also represented that it expects to be in compliance with the debt service coverage requirement in 2006 and beyond. Based on those representations, OMEGA JV5 took action in accordance with the Joint Venture Agreement to waive the noncompliance.

Debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2005 are as follows:

	Principal	Interest	Refunding Debt Service	Total
2006	$ 4,125,000	$ 4,962,175	$ 1,363,076	$ 10,450,251
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
2011-2030	147,140,000	37,586,930	19,290,290	204,017,220
	$168,970,000	$ 61,285,399	$ 26,119,560	$256,374,959

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

	December 31, 2005		December 31, 2004	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	$ 17,698,471	$ 20,678,362	$ 16,758,930	$ 18,378,094
2004 Certificates	114,135,378	117,853,169	118,189,816	123,673,949

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

	2005			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
2001 Certificates	$ 56,125,000	$ -	$ -	$ 56,125,000
Less: Unamortized discount	(39,366,070)	-	939,541	(38,426,529)
	16,758,930	-	939,541	17,698,471
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)
	118,189,816	4,125,000	(8,179,438)	114,135,378
Regulatory liabilities	32,429,317	-	(1,849,296)	30,580,021
Total	$ 167,378,063	$ 4,125,000	$ (9,089,193)	$ 162,413,870

	2004			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
1993 Certificates	$ 134,975,000	$ -	$ (134,975,000)	$ -
Less: Current maturities	(3,620,000)	-	3,620,000	-
Less: Unamortized discount	(2,613,968)		2,613,968	-
	128,741,032	-	(128,741,032)	-
2001 Certificates	56,125,000	-	-	56,125,000
Less: Unamortized discount	(40,255,692)	-	889,622	(39,366,070)
	15,869,308	-	889,622	16,758,930
2004 Certificates	-	116,910,000	(4,065,000)	112,845,000
Less: Current maturities	-	4,065,000	-	4,065,000
Less: Unamortized premium	-	7,674,145	(614,979)	7,059,166
Less: Unamortized loss from refunding beneficial interest certificates	-	(6,556,550)	777,200	(5,779,350)
	-	122,092,595	(3,902,779)	118,189,816
Regulatory liabilities	34,865,275	-	(2,435,958)	32,429,317
Total	$ 179,475,615	$ 122,092,595	$ (134,190,147)	$ 167,378,063

10. Regulatory Liabilities

Regulatory liabilities at December 31 are as follows:

	2005	2004
Regulatory liabilities		
Debt service billed to Participants for Certificates in excess of related expenses	$ 29,398,793	$ 31,335,130
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,181,228	1,094,187
Inventories billed to Participants	81,747	59,459
Total regulatory liabilities	30,661,768	32,488,776
Current portion	(81,747)	(59,459)
Noncurrent portion	$ 30,580,021	$ 32,429,317

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 required 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.

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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, 2005, and have issued our report thereon dated March 31, 2006, except for Note 9, as to which the date is April 25, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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
March 31, 2006, except for Note 9,
as to which the date is April 25, 2006

Supplemental Information

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Report of Independent Auditors on Supplemental Financial Data

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 5

The report on our audits of the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") at December 31, 2005 and 2004 and for the years then ended, appears on page 1. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Supplemental Schedule of Receipts and Disbursements of the 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts for the year ended December 31, 2005 is presented for the purposes of additional analysis pursuant to Section 6.10 of the trust agreement relating to the financing of the Belleville Hydroelectric Project between US Bank, Cincinnati, N.A., as trustee, and OMEGA JV5 dated June 1, 1993 and is not a required part of the general-purpose financial statements. We have been informed by management that the trustee holds the fund account assets and executes investment transactions. With respect to investment transactions, we have not audited the books and records of the trustee in connection with the auditing procedures applied in the audit of the general-purpose financial statements. The information in the Schedule, except for that related to investment transactions executed by the trustee, on which we express no opinion, has been subjected to the auditing procedures, applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the use of the Board of Participants of OMEGA JV5 and US Bank, Cincinnati, N.A., trustee.

PricewaterhouseCoopers LLP

Columbus, Ohio
March 31, 2006, except for Note 9,
as to which the date is April 25, 2006

Ohio Municipal Electric Generation Agency Joint Venture 5
Schedule of Receipts and Disbursements of the 2004 Beneficial Interest Refunding Certificates ("Belleville Hydroelectric Project") Funds and Accounts
Year Ended December 31, 2005

	Funds Held by Trustee		
	Total	Certificate Payment Fund	Reserve and Contingency Fund
Fund balances at December 31, 2004	$ 9,961,510	$ 7,181,900	$ 2,779,610
Receipts			
Interest on investments	158,427	98,643	59,784
Debt service receipts	10,525,964	10,525,964	-
Total receipts	10,684,391	10,624,607	59,784
Disbursements			
Bond payment	9,150,325	9,150,325	-
Draws	1,445,064	1,445,064	-
Total disbursements	10,595,389	10,595,389	-
Mark to market of investments	58,108	30,850	27,258
Excess of receipts	147,110	60,068	87,042
Fund balances at December 31, 2005	$ 10,108,620	$ 7,241,968	$ 2,866,652

Ohio Municipal Electric Generation Agency Joint Venture 6

Financial Statements
December 31, 2005 and December 15, 2003 (Inception) to December 31, 2004

Ohio Municipal Electric Generation Agency Joint Venture 6
Index
December 31, 2005 and December 15, 2003 (Inception) to December 31, 2004

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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, 2005 and 2004, and the changes in its financial position and its cash flows for the year ended December 31, 2005, and the period from December 15, 2003 (date of inception) to December 31, 2004 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 3 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 March 31, 2006 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, 2005. 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
March 31, 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 year ended December 31, 2005 and the period from December 15, 2003 (inception) to December 31, 2004. 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

	2005	2004
Assets		
Electric plant, net of accumulated depreciation	$ 8,984,666	$ 10,309,469
Regulatory assets	64,564	22,233
Restricted assets	52,574	-
Current assets	358,701	108,503
Total assets	$ 9,460,505	$ 10,440,205
Net Assets and Liabilities		
Net assets	$ 8,813,008	$ 9,899,408
Current liabilities	114,645	33,826
Asset retirement obligations	532,852	506,971
Total net assets and liabilities	$ 9,460,505	$ 10,440,205

Total assets of $9,460,505 decreased $979,700 or 9.4% in 2005.

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 in 2006. Accumulated depreciation for electric plant at December 31, 2005 was $500,095, an increase of $316,065. At December 31, 2004, accumulated depreciation was $184,030. 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 $52,574 consisted 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.

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. Receivables increased $69,228. Energy attributes (Green Tags) are sold quarterly under a contract through 2008. Income from this contract substantially covers operating expense. 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. Prepaid insurance decreased $10,671. 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, 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, 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

	2005	2004
Operating revenues	$ 430,706	$ 198,825
Operating expenses	565,784	351,404
Operating loss	(135,078)	(152,579)
Nonoperating revenue		
Investment income	6,630	1,987
Change in net assets	$ (128,448)	$ (150,592)

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.

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 both years.

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 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.

Ohio Municipal Electric Generation Agency Joint Venture 6
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Electric plant		
Electric plant	$ 9,484,761	$ 10,493,499
Accumulated depreciation	(500,095)	(184,030)
Total electric plant	8,984,666	10,309,469
Regulatory assets	64,564	22,233
Restricted assets—funds held by trustee	52,574	-
Current assets		
Cash and cash equivalents	191,874	233
Receivables	153,203	83,975
Prepaid expenses	13,624	24,295
Total current assets	358,701	108,503
Total assets	$ 9,460,505	$ 10,440,205
Net Assets and Liabilities		
Net assets		
Invested in capital assets, net of related debt	$ 8,984,666	$ 10,309,469
Restricted net assets	52,574	-
Unrestricted	(224,232)	(410,061)
Total net assets	8,813,008	9,899,408
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued expenses	19,498	21,014
Payable to related parties	95,147	12,812
Total current liabilities	114,645	33,826
Noncurrent liabilities		
Asset retirement obligation	532,852	506,971
Total noncurrent liabilities	532,852	506,971
Total liabilities	647,497	540,797
Total net assets and liabilities	$ 9,460,505	$ 10,440,205

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
Year Ended December 31, 2005 and
Period From December 15, 2003 (Inception) to December 31, 2004

	2005	2004
Operating Revenues		
Revenue from sale of energy attributes	$ 430,706	$ 198,825
Operating Expenses		
Related party services	87,646	86,309
Depreciation	316,065	184,030
Accretion of asset retirement obligation	25,881	13,472
Maintenance	118,711	41,546
Insurance	25,676	8,866
Professional services	17,725	30,803
Other operating expenses	16,411	8,611
Future recoverable costs	(42,331)	(22,233)
Total operating expenses	565,784	351,404
Operating loss	(135,078)	(152,579)
Nonoperating Revenues		
Investment income	6,630	1,987
Change in net assets	(128,448)	(150,592)
Net assets, beginning of year	9,899,408	-
Contributions from participants	50,786	10,050,000
Return of capital	(1,008,738)	-
Net assets, end of year	$ 8,813,008	$ 9,899,408

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

Ohio Municipal Electric Generation Agency Joint Venture 6
Statements of Cash Flows
Year Ended December 31, 2005 and Period From December 15, 2003 (Inception) to December 31, 2004

	2005	2004
Cash flows from operating activities		
Cash received from participants and customers	$ 361,478	$ 114,850
Cash paid to related parties for personnel services	(93,860)	(75,144)
Cash payments to suppliers and related parties for goods and services	(80,819)	(91,460)
Net cash provided by (used in) operating activities	186,799	(51,754)
Cash flows from capital and related financing activities		
Capital expenditures	-	(5,173,000)
Payment of note payable to related party	-	(4,827,000)
Contributions from participants	50,786	10,050,000
Net cash provided by capital and related financing activities	50,786	50,000
Cash flows from investing activities		
Deposit to trust fund	(50,786)	-
Purchases of investments	(227,608)	-
Proceeds from sale of investments	225,820	-
Investment income received	6,630	1,987
Net cash (used in) provided by investing activities	(45,944)	1,987
Net change in cash and cash equivalents	191,641	233
Cash and cash equivalents, beginning of year	233	-
Cash and cash equivalents, end of year	$ 191,874	$ 233
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (135,078)	$ (152,579)
Depreciation	316,065	184,030
Accretion of asset retirement obligation	25,881	13,472
Future recoverable costs	(42,331)	(22,233)
Changes in assets and liabilities		
Receivables	(69,228)	(83,975)
Prepaid expenses	10,671	(24,295)
Accounts payable and accrued expenses	(1,516)	21,014
Payable to related parties	82,335	12,812
Net cash provided by (used in) operating activities	$ 186,799	$ (51,754)
Supplemental disclosure of noncash capital and related financing activities		
Capital expenditures purchased with a note payable to a related party	$ -	$ 4,827,000
Addition to plant from asset retirement obligations	-	493,499
Change in estimated cost of plant	1,008,738	-

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

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 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 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.

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

Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Bowling Green	4,100	56.94 %
Cuyahoga Falls	1,800	25.00
Napoleon	300	4.17
Wadsworth	250	3.47
Oberlin	250	3.47
Montpelier	100	1.39
Edgerton	100	1.39
Pioneer	100	1.39
Monroeville	100	1.39
Elmore	100	1.39
	7,200	100.00 %

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

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV6 financing participants for debt service are paid to AMP-Ohio to retire the Project financing obligations (Note 6). 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 year ended December 31, 2005, and the period from December 15, 2003 to December 31, 2004, all of OMEGA JV6's revenue was derived from the sale of energy attributes.

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 December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("APB No. 29"). SFAS No. 153 requires the exchange of nonmonetary assets to be recorded at fair value unless the nonmonetary exchange lacks commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV6.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The statement applies to all voluntary changes in accounting principle and changes resulting from adoption of a new accounting pronouncement that do not specify transition requirements. SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle be recognized in the period of the accounting change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Its adoption is not expected to have a material impact on the financial condition or results of operations of OMEGA JV6.

3. Electric Plant and Equipment

Electric plant and equipment activity for the year ended December 31, 2005, is as follows:

	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	$ 10,309,469	$ (316,065)	$ (1,008,738)	$ 8,984,666

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 6).

Electric plant and equipment activity for the year ended December 31, 2004, is as follows:

	Beginning Balance	Additions	Ending Balance
Electric plant	$ -	$ 10,493,499	$ 10,493,499
Less: Accumulated depreciation	-	(184,030)	(184,030)
Electric plant, net	$ -	$ 10,309,469	$ 10,309,469

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 $13,468 for the year ended December 31, 2005, and $8,000 for the period from December 15, 2003 to December 31, 2004. OMEGA JV6 had a payable to AMP-Ohio for $90,196 at December 31, 2005, and $1,647 at December 31, 2004.

- 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 $87,646 for the year ended December 31, 2005, and $86,309 for the period from December 15, 2003 to December 31, 2004, and OMEGA JV6 had a payable to MESA for $4,951 at December 31, 2005, and $11,165 at December 31, 2004.

5. Cash and Cash Equivalents

At December 31, 2004, $233 was invested in certain money market funds which invest principally in obligations guaranteed by the United States government.

6. 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 OMEGA JV6 Adjustable Rate Revenue Bonds, Series 2004 ("OMEGA JV6 Bonds") for $9,861,000, 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, 2005, are as follows:

Maturity Date February 15 and August 15,	Principal Amount	Interest Rate
2006	$ 744,000	3.43 %
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 %
	$ 9,045,000	

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.

The OMEGA JV6 Bonds are payable solely from the basic and additional demand charges of the OMEGA JV6 financing members.

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).

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 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.

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 year ended December 31, 2005, and the period ended December 31, 2004, is as follows:

	Year Ended December 31, 2005			
	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ 506,971	$ -	$ 25,881	$ 532,852

	Period Ended December 31, 2004			
	Beginning Balance	Liabilities Incurred	Accretion Expense	Ending Balance
Asset retirement obligation	$ -	$ 493,499	$ 13,472	$ 506,971

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 both the year ended December 31, 2005, and the period ended December 31, 2004.

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.

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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, 2005, and have issued our report thereon dated March 31, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

PricewaterhouseCoopers LLP

Columbus, Ohio
March 31, 2006

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OMEGA JV 1,2,4,5,6 AND MUNICIPAL ENERGY SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 6, 2006