

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

FINANCIAL STATEMENTS
December 31, 1999 and 1998



CROWE CHIZEK

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

FINANCIAL STATEMENTS
December 31, 1999 and 1998

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1
Columbus, Ohio

FINANCIAL STATEMENTS
December 31, 1999 and 1998

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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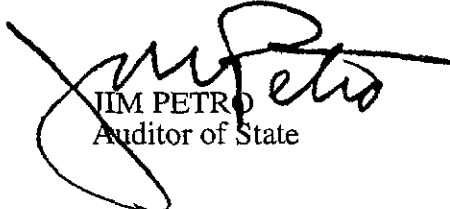
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Board of Participants
Ohio Municipal Electric Generation Agency

We have reviewed the Independent Auditor's Report of the Ohio Municipal Electric Generation Agency Joint Venture 1, 3, and 4, Franklin County, prepared by Crowe Chizek and Company LLP for the audit period January 1, 1999 through December 31, 1999. 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 Venture 1, 3, and 4 is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

June 15, 2000



REPORT OF INDEPENDENT AUDITORS

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 1
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the management of OMEGA JV-1. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 1 as of December 31, 1999 and 1998, and results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2000, on our consideration of OMEGA JV-1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 1
 BALANCE SHEETS
 December 31, 1999 and 1998

ASSETS	<u>1999</u>	<u>1998</u>
Electric plant (Note 2)		
Electric generators	\$ 410,229	\$ 410,229
Fuel tank	35,000	35,000
Accumulated depreciation	<u>(107,597)</u>	<u>(92,756)</u>
Total electric plant	<u>337,632</u>	<u>352,473</u>
Current assets		
Cash and cash equivalents (Notes 2 and 4)	63,742	70,770
Receivables from participants	34,864	23,192
Fuel inventory	11,908	8,254
Prepaid expenses	<u>14,246</u>	<u>11,217</u>
Total current assets	<u>124,760</u>	<u>113,433</u>
Total assets	<u>\$ 462,392</u>	<u>\$ 465,906</u>
PARTICIPANTS' EQUITY AND LIABILITIES		
Participants' equity (Note 2)		
Participants' contributions	\$ 485,184	\$ 485,184
Accumulated net margins	<u>(91,060)</u>	<u>(47,118)</u>
Total participants' equity	<u>394,124</u>	<u>438,066</u>
Current liabilities		
Payable to AMP-Ohio (Note 3)	21,105	16,393
Accounts payable, trade	<u>47,163</u>	<u>11,447</u>
Total current liabilities	<u>68,268</u>	<u>27,840</u>
Total participants' equity and liabilities	<u>\$ 462,392</u>	<u>\$ 465,906</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 1
 STATEMENTS OF OPERATIONS
 Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
REVENUES		
Fees from participants	\$ 226,866	\$ 209,398
EXPENSES		
AMP-Ohio services	88,647	85,616
MESA services	6,698	9,068
Fuel	91,584	58,655
Maintenance	45,294	35,383
Depreciation	14,841	14,841
Professional services	7,407	7,344
Insurance	5,605	6,267
Electric services	11,036	7,432
Other operating expenses, net	<u>2,310</u>	<u>(2,086)</u>
Total expenses	<u>273,422</u>	<u>222,520</u>
Operating margins	(46,556)	(13,122)
NONOPERATING REVENUES		
Investment income	<u>2,614</u>	<u>3,186</u>
NET MARGINS	<u>\$ (43,942)</u>	<u>\$ (9,936)</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1
STATEMENTS OF PARTICIPANTS' EQUITY
Years ended December 31, 1999 and 1998

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balances as of January 1, 1998	\$ 485,184	\$ (37,182)	\$ 448,002
Net margins for the year ended December 31, 1998	<u>—</u>	<u>(9,936)</u>	<u>(9,936)</u>
Balances as of December 31, 1998	485,184	(47,118)	438,066
Net margins for the year ended December 31, 1999	<u>—</u>	<u>(43,942)</u>	<u>(43,942)</u>
Balances as of December 31, 1999	<u>\$ 485,184</u>	<u>\$ (91,060)</u>	<u>\$ 394,124</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 1
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Operating margins	\$ (46,556)	\$ (13,122)
Adjustments to reconcile operating margins to net cash provided by operating activities		
Depreciation and amortization	14,841	14,841
Changes in assets and liabilities		
Receivables from participants	(11,672)	1,821
Fuel inventory	(3,654)	180
Prepaid expenses	(3,029)	(6,280)
Payable to AMP-Ohio	4,712	5,008
Accounts payable, trade	<u>35,716</u>	<u>(8,252)</u>
Net cash from operating activities	(9,642)	(5,804)
Cash flows from investing activities		
Investment income	<u>2,614</u>	<u>3,186</u>
Net change in cash and cash equivalents	(7,028)	(2,618)
Cash and cash equivalents, beginning of year	<u>70,770</u>	<u>73,388</u>
Cash and cash equivalents, end of year	<u>\$ 63,742</u>	<u>\$ 70,770</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - ORGANIZATION

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1) 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 JV-1 purchased its electric generating facilities, known as the Engle Units, from AMP-Ohio in September 1992. These facilities are located in Cuyahoga Falls, Ohio. Management services are provided to OMEGA JV-1 by AMP-Ohio.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies followed by OMEGA JV-1.

Basis of accounting: The accounting records of OMEGA JV-1 are maintained in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Accounts of OMEGA JV-1 are maintained on an accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and cash equivalents: For purposes of statements of cash flows, cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less.

Electric Plant: Electric plant is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset (30 years).

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

Participants' Equity: Participants' equity consists of contributed capital of the participants and accumulated net margins. Should OMEGA JV-1 cease business, these amounts, if available, will be returned to the participants.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 1
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property constituting OMEGA JV-1 is owned by the participants as tenants in common in undivided shares, each such share being equal to that participant's percentage ownership interest as follows:

<u>Municipality</u>	<u>Percent Project Ownership and Entitlement</u>
Cuyahoga Falls	21.05%
Niles	17.71
Wadsworth	11.24
Hudson	10.37
Galion	6.53
Oberlin	5.52
Amherst	5.42
Hubbard	3.79
Columbiana	3.03
Wellington	2.95
Newton Falls	2.53
Monroeville	1.85
Lodi	1.72
Seville	1.50
Brewster	1.45
Grafton	1.16
Milan	.71
Beach City	.55
Prospect	.50
Lucas	.23
South Vienna	<u>.19</u>
Total	<u>100.00%</u>

Revenue recognition and rates: Revenues are recognized when earned as service is delivered to participant's point of delivery. OMEGA JV-1's rates for electric power are designed to cover annual operating costs except depreciation. Rates are set annually by the Board of Participants.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 reported period. Actual results could differ from those estimates.

NOTE 3 - RELATED AGREEMENTS

OMEGA JV-1 has entered the following agreements:

- AMP-Ohio agreed to provide staffing and expertise to fulfill management and operational obligations under the Agreement and acts as OMEGA JV-1's agent. Beginning in 1992, and for each year this Agreement is in effect, AMP-Ohio is paid a management fee of \$60,000 per year; for each year after the initial term, such management fee shall be increased by 5% per year, compounded; plus, a reasonable allocation of the cost to AMP-Ohio for direct expenses, personnel and overhead related to AMP-Ohio's performance of its obligations. The total of these amounts for the years ended December 31, 1999 and 1998 was \$88,647 and \$85,616, respectively. As of December 31, 1999 and 1998, OMEGA JV-1 owed AMP-Ohio \$21,105 and \$16,393, respectively, related to these services.
- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV-1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. Cuyahoga Falls also has agreed to perform operational tasks and perform routine maintenance on the generating facilities at no charge to OMEGA JV-1 in consideration of the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.
- In 1997, OMEGA JV-1 entered an agreement with Municipal Energy Services Agency (MESA), a related joint venture, for MESA to provide certain engineering and other technical services. The expenses related to these services were \$6,698 and \$9,068 in 1999 and 1998, respectively.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 4 - CASH AND CASH EQUIVALENTS

As of December 31, 1999 and 1998, the carrying amounts of OMEGA JV-1's operating cash deposits were (\$5,996) and \$13,286, respectively and the bank balance was \$398 and \$13,286, respectively. The difference between cash deposits and bank balance is due to outstanding checks. At December 31, 1999 and 1998, \$69,738 and \$57,484, respectively, was invested in certain money-market funds associated with the bank. Periodically, cash on deposit is invested overnight in these funds, which consist principally of obligations guaranteed by the U.S. government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV-1.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

From time to time, OMEGA JV-1 is subject to claims and litigation in the normal course of business. As of December 31, 1999 and 1998, management is unaware of any claims or litigation requiring accrual in the financial statements.

SUPPLEMENTARY INFORMATION



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING 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
Columbus, Ohio

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1) as of and for the year ended December 31, 1999, and have issued our report thereon dated February 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of OMEGA JV-1 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which would 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the internal control of OMEGA JV-1 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 assurance 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 condition in which the design or operation or one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 material weaknesses.

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

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000

**OHIO MUNICIPAL ELECTRIC
GENERATION AGENCY
JOINT VENTURE 3**

FINANCIAL STATEMENTS
December 31, 1999 and 1998



CROWE CHIZEK

**OHIO MUNICIPAL ELECTRIC
GENERATION AGENCY
JOINT VENTURE 3**

FINANCIAL STATEMENTS
December 31, 1999 and 1998

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
Columbus, Ohio

FINANCIAL STATEMENTS
December 31, 1999 and 1998

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REPORT OF INDEPENDENT AUDITORS

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 3
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 3 (OMEGA JV-3) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the management of OMEGA JV-3. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 3 as of December 31, 1999 and 1998, and results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report, dated February 15, 2000, on our consideration of OMEGA JV-3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 3
 BALANCE SHEETS
 December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Electric plant (Note 2)		
Electric generators	\$ 476,998	\$ 476,998
Accumulated depreciation	<u>(99,106)</u>	<u>(83,194)</u>
Total electric plant	<u>377,892</u>	<u>393,804</u>
Current assets		
Cash and cash equivalents (Notes 2 and 4)	112,412	88,528
Receivables from participants	5,211	5,007
Fuel inventory (Note 2)	1,081	826
Prepaid expenses	<u>6,947</u>	<u>3,258</u>
Total current assets	<u>125,651</u>	<u>97,619</u>
Total assets	<u>\$ 503,543</u>	<u>\$ 491,423</u>
 PARTICIPANTS' EQUITY AND LIABILITIES		
Participants' equity (Note 2)		
Participants' contributions	\$ 2,000	\$ 2,000
Accumulated net margins	<u>496,895</u>	<u>477,195</u>
Total participants' equity	<u>498,895</u>	<u>479,195</u>
Current liabilities		
Payable to AMP-Ohio (Note 3)	3,668	10,038
Accrued expenses	<u>980</u>	<u>2,190</u>
Total current liabilities	<u>4,648</u>	<u>12,228</u>
Total participants' equity and liabilities	<u>\$ 503,543</u>	<u>\$ 491,423</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
STATEMENTS OF OPERATIONS
Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
REVENUES		
Fees from participants	\$ 57,062	\$ 57,057
EXPENSES		
AMP-Ohio services	5,628	6,542
MESA services	3,148	2,697
Fuel	369	2,151
Maintenance	3,973	8,379
Professional services	4,697	8,056
Insurance	2,065	2,233
Depreciation	15,912	15,911
Electric service	3,421	4,203
Other operating expenses, net	<u>1,573</u>	<u>(5,583)</u>
Total expenses	<u>40,786</u>	<u>44,589</u>
Operating margins	16,276	12,468
NONOPERATING REVENUES		
Investment income	<u>3,424</u>	<u>3,027</u>
NET MARGINS	<u>\$ 19,700</u>	<u>\$ 15,495</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
STATEMENTS OF PARTICIPANTS' EQUITY
Years ended December 31, 1999 and 1998

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balances as of January 1, 1998	\$ 2,000	\$ 461,700	\$ 463,700
Net margins for the year ended December 31, 1998	<u>—</u>	<u>15,495</u>	<u>15,495</u>
Balances as of December 31, 1998	2,000	477,195	479,195
Net margins for the year ended December 31, 1999	<u>—</u>	<u>19,700</u>	<u>19,700</u>
Balances as of December 31, 1999	<u>\$ 2,000</u>	<u>\$ 496,895</u>	<u>\$ 498,895</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
STATEMENTS OF CASH FLOWS
Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Operating margins	\$ 16,276	\$ 12,468
Adjustment to reconcile operating margins to net cash provided by operating activities		
Depreciation	15,912	15,911
Changes in assets and liabilities		
Receivables from participants	(204)	(222)
Fuel inventory and prepaid expenses	(3,944)	(992)
Payable to AMP-Ohio	(6,370)	(3,047)
Accrued expenses	<u>(1,210)</u>	<u>(13,436)</u>
Net cash from operating activities	20,460	10,682
Cash flows from investing activities		
Interest received	<u>3,424</u>	<u>3,027</u>
Net change in cash and cash equivalents	23,884	13,709
Cash and cash equivalents, beginning of year	<u>88,528</u>	<u>74,819</u>
Cash and cash equivalents, end of year	<u>\$ 112,412</u>	<u>\$ 88,528</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - ORGANIZATION

Ohio Municipal Electric Generation Agency Joint Venture 3 (OMEGA JV-3) was organized by 13 subdivisions of the State of Ohio (the participants) on October 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 1,600-kilowatt hours of supplemental reserve electric power to the participants on a cooperative basis (the Project). The participants are members of American Municipal Power-Ohio, Inc. (AMP-Ohio) Northwest Area Service Group. The participants are charged fees for costs required to administer the Joint Venture and maintain the jointly-owned electric plant. Management services are provided to OMEGA JV-3 by AMP-Ohio.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies followed by OMEGA JV-3.

Basis of Accounting: The accounting records of OMEGA JV-3 are maintained in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. Accounts of OMEGA JV-3 are maintained on an accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents: For purposes of 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.

Electric Plant: Electric plant is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets (30 years).

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

Participants' Equity: Participants' equity consists of contributed capital of the participants and accumulated net margins. Should OMEGA JV-3 cease business, these amounts, if available, will be returned to the participants.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property constituting OMEGA JV-3 is owned by the participants as tenants in common in undivided shares, each such share being equal to that participant's percentage ownership interest as follows:

<u>Municipality</u>	<u>Percent Project Ownership and Entitlement</u>
Bowling Green	48.31%
Napoleon	23.39
Montpelier	7.72
Oak Harbor	3.60
Edgerton	3.50
Pemberville	2.92
Pioneer	2.91
Genoa	2.19
Woodville	1.90
Elmore	1.84
Bradner	1.10
Haskins	.43
Custar	<u>.19</u>
Total	<u>100.00%</u>

Revenue recognition and rates: Revenues are recognized when earned as service is delivered to participants' point of delivery. OMEGA JV-3's rates for electric power are designed to cover annual operating costs except depreciation. Rates are set annually by the Board of Participants.

Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting 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 reported period. Actual results could differ from those estimates.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 3 - RELATED AGREEMENTS

OMEGA JV-3 has entered the following agreements:

- AMP-Ohio agreed to provide staffing and expertise necessary to fulfill management and operational obligations under the Agreement and acts as OMEGA JV-3's agent. Beginning in 1993, and for each year this Agreement is in effect, AMP-Ohio is paid a management fee of \$4,000 per year; for each year after the initial term, such management fee shall be increased by 5% per year, compounded; plus, a reasonable allocation of the cost to AMP-Ohio for direct expenses, personnel and overhead related to AMP-Ohio's performance of its obligations. The total amounts for the years ended December 31, 1999 and 1998 was \$5,628 and \$6,542, respectively. As of December 31, 1999 and 1998, OMEGA JV-3 owed AMP-Ohio \$3,668 and \$10,038, respectively, related to these services.
- The City of Bowling Green, Ohio, agreed to provide a suitable site for the Project and OMEGA JV-3 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. Bowling Green also has agreed to perform operational tasks and perform routine maintenance on the Project at no charge to OMEGA JV-3 in consideration of availability of the Project to Bowling Green for electric-system emergency backup.
- In 1997, OMEGA JV-3 entered an agreement with Municipal Energy Services Agency (MESA), a related joint venture, for MESA to provide certain engineering and other technical services. The expenses related to these services were \$3,148 and \$2,697 in 1999 and 1998.

NOTE 4 - CASH AND CASH EQUIVALENTS

As of December 31, 1999 and 1998, the carrying amount of OMEGA JV-3's operating cash deposits were \$17,174 and \$31,265, respectively, and the bank balance was \$19,923 and \$31,567, respectively. The difference between cash deposits and bank balance is due to outstanding checks. At December 31, 1999 and 1998, \$95,239 and \$57,263, respectively, was invested in certain money market funds associated with the bank. Periodically, cash on deposit is invested overnight in these funds, which consist principally of obligations guaranteed by the U.S. government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV-3.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 3
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 5 - COMMITMENTS AND CONTINGENCIES

From time to time, OMEGA JV-3 is subject to claims and litigation in the normal course of business. As of December 31, 1999 and 1998, management is unaware of any claims or litigation requiring accrual in the financial statements.

SUPPLEMENTARY INFORMATION



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

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 3
Columbus, Ohio

We have audited the financial statements of Ohio Municipal Electric Generation Agency, Joint Venture 3 as of and for the year ended December 31, 1999 and have issued our report thereon dated February 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of OMEGA JV-3 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 for our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the internal control of OMEGA JV-3 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 assurance 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 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 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 material weaknesses.

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

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000

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

FINANCIAL STATEMENTS
December 31, 1999 and 1998



CROWE CHIZEK

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

FINANCIAL STATEMENTS
December 31, 1999 and 1998

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 4
Columbus, Ohio

FINANCIAL STATEMENTS
December 31, 1999 and 1998

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CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 4
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV-4) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the management of OMEGA JV-4. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Municipal Electric Generation Agency Joint Venture 4 as of December 31, 1999 and 1998, and the results, of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2000, on our consideration of OMEGA JV-4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY

JOINT VENTURE 4

BALANCE SHEETS

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Utility plant (Note 2)		
Transmission line	\$ 1,979,694	\$ 1,979,694
Accumulated depreciation	<u>(263,115)</u>	<u>(197,090)</u>
Total utility plant	1,716,579	1,782,604
Current assets		
Cash and cash equivalents (Notes 2 and 4)	236,216	86,174
Accounts receivable	5,888	9,030
Supplies inventory (Note 2)	135,471	156,769
Prepaid expenses	<u>4,594</u>	<u>1,925</u>
Total current assets	<u>382,169</u>	<u>253,898</u>
Total assets	<u>\$ 2,098,748</u>	<u>\$ 2,036,502</u>
PARTICIPANTS' EQUITY AND LIABILITIES		
Participants' equity (Note 2)		
Participants' contributions	<u>\$ 1,948,863</u>	<u>\$ 2,024,763</u>
Current liabilities		
Payable to AMP-Ohio (Note 3)	61,909	10,433
Accrued expenses	<u>87,976</u>	<u>1,306</u>
Total current liabilities	<u>149,885</u>	<u>11,739</u>
Total participants' equity and liabilities	<u>\$ 2,098,748</u>	<u>\$ 2,036,502</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 4
 STATEMENTS OF OPERATIONS
 Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
REVENUES		
Transmission revenue	\$ 599,308	\$ 510,676
EXPENSES		
AMP-Ohio services	1,277	3,634
MESA services	13,854	41,076
Wheeling fees	27,587	21,076
Maintenance	28,733	
Professional services	26,486	29,915
Depreciation	66,025	65,720
Other operating expenses	<u>3,288</u>	<u>4,692</u>
Total expenses	<u>167,250</u>	<u>166,113</u>
Operating margin	432,058	344,563
NONOPERATING REVENUES		
Investment income	<u>1,502</u>	<u>1,275</u>
NET MARGINS	<u>\$ 433,560</u>	<u>\$ 345,838</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 4
 STATEMENTS OF PARTICIPANTS' EQUITY
 Years ended December 31, 1999 and 1998

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balance as of January 1, 1998	\$ 2,049,971	\$ --	\$ 2,049,971
Net margins - 1998		345,838	345,838
Distributions to participants			
Bryan	(10,587)	(145,252)	(155,839)
Pioneer	(7,563)	(103,751)	(111,314)
Montpelier	(6,302)	(86,460)	(92,762)
Edgerton	<u>(756)</u>	<u>(10,375)</u>	<u>(11,131)</u>
Balance as of December 31, 1998	2,024,763	--	2,024,763
Net margins - 1999		433,560	433,560
Distributions to participants			
Bryan	(31,878)	(182,095)	(213,973)
Pioneer	(22,770)	(130,068)	(152,838)
Montpelier	(18,975)	(108,390)	(127,365)
Edgerton	<u>(2,277)</u>	<u>(13,007)</u>	<u>(15,284)</u>
Balance as of December 31, 1999	<u>\$ 1,948,863</u>	<u>\$ --</u>	<u>\$ 1,948,863</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
 JOINT VENTURE 4
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Operating margins	\$ 432,058	\$ 344,563
Adjustments to reconcile operating margins to net cash provided by operating activities		
Depreciation and amortization	66,025	65,720
Changes in assets and liabilities		
Accounts receivable	3,142	(9,030)
Supplies inventory	21,298	
Prepaid expenses	(2,669)	(266)
Payable to AMP-Ohio	51,476	(8,647)
Accrued expenses	<u>86,670</u>	<u>(6,385)</u>
Net cash from operating activities	<u>658,000</u>	<u>385,955</u>
Cash flows from capital and related financing activities		
Distribution to participants	(509,460)	(371,046)
Purchases of utility plant	<u> </u>	<u>(9,942)</u>
Net cash from capital and related financing activities	<u>(509,460)</u>	<u>(380,988)</u>
Cash flows from investing activities		
Interest received	<u>1,502</u>	<u>1,275</u>
Net change in cash and cash equivalents	150,042	6,242
Cash and cash equivalents, beginning of year	<u>86,174</u>	<u>79,932</u>
Cash and cash equivalents, end of year	<u>\$ 236,216</u>	<u>\$ 86,174</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - ORGANIZATION

Purpose: Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV-4) 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 JV-4 owns and operates the Project. The Project consists of a 69-kv three-phase transmission line located in Williams County, Ohio. OMEGA JV-4 derives substantially all its revenue from a single industrial customer.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies followed by OMEGA JV-4.

Basis of accounting: The accounting records of OMEGA JV-4 are maintained in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Accounts of OMEGA JV-4 are maintained on an accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and cash equivalents: For purposes of 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.

Utility Plant: The transmission line in service is recorded at cost. Depreciation is provided on the straight-line method over 30 years, the estimated useful life of the asset.

Participants' Equity: Participants' equity consists of contributed capital of the participants and accumulated net margins. Should OMEGA JV-4 cease business, these amounts, if available, will be returned to the participants.

Supplies Inventory: Supplies include poles, wire and other items designated for use in the repair and maintenance of utility plant and the construction of future phases of the transmission line.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All property constituting OMEGA JV-4 is owned by the participants as tenants in common in undivided shares, each share being equal to that participant's percentage ownership interest as follows:

<u>Municipality</u>	<u>Percent Project Ownership</u>
Bryan	42%
Pioneer	30
Montpelier	25
Edgerton	<u>3</u>
	<u>100%</u>

Revenue recognition and rates: Revenues are recognized when transmission service is delivered to customers. Rates of OMEGA JV-4 for electric power are designed to cover annual operating costs except depreciation. Rates are set annually by the Board of Participants.

Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting 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 reported period. Actual results could differ from those estimates.

NOTE 3 - RELATED-AGREEMENTS

OMEGA JV-4 has entered the following agreements:

- AMP-Ohio provides staffing and expertise to fulfill management and operational obligations under the Agreement and acts as OMEGA JV-4's agent. Beginning in 1995, and for each year this Agreement is in effect, AMP-Ohio is paid a management fee of \$1,000 per year; for each year after the initial term, such management fee shall be increased by 5% per year, compounded; plus, a reasonable allocation of the cost to AMP-Ohio for direct expenses, personnel and overhead related to AMP-Ohio's performance of its obligations. The total of these amounts for the years ended December 31, 1999 and 1998 was \$1,277 and \$3,634. As of December 31, 1999 and 1998, OMEGA JV-4 owed AMP-Ohio \$61,909 and \$10,433, respectively, related to these services.

(Continued)

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 4
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 3 – RELATED AGREEMENTS (Continued)

- In 1997, OMEGA JV-4 entered an agreement with the Municipal Energy Services Agency (MESA), a related joint venture, to provide certain engineering and other technical services. The expenses related to these services were \$13,854 and \$41,076 in 1999 and 1998.

NOTE 4 – CASH AND CASH EQUIVALENTS

As of December 31, 1999 and 1998, the carrying amount of OMEGA JV-4's cash deposits were \$236,216 and \$86,174, respectively, and the bank balance was \$248,030 and \$88,846, respectively. The difference between cash deposits and bank balance is due to outstanding checks.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Project is subject to regulation by federal, state and local authorities related to environmental and other matters. OMEGA JV-4 is self-insured for property damage risks.

OMEGA JV-4 has been involved in litigation with Toledo Edison Co. related to power sales to an industrial customer. In May 1999 the Ohio Court of Appeals upheld a lower court's decision to dismiss the complaint by Toledo Edison in full except for one count which it remanded back to the lower court for trial on the merits. Toledo Edison has filed an appeal of this decision to the Supreme Court of Ohio. It is not possible to predict the outcome of this proceeding at this time. Should OMEGA JV-4 be required to defend this action, it believes that it has meritorious legal and factual defenses to Toledo Edison's claims.



CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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
Columbus, Ohio

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV-4) as of and for the year ended December 31, 1999 and have issued our report thereon dated February 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of OMEGA JV-4 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control of OMEGA JV-4 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 assurance 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 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 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 material weaknesses.

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

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
February 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JV 1,3,4

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.

By: Susan Babbitt

Date: JUNE 29, 2000