

**Ohio Municipal Electric
Generation Agency
Joint Venture 1**
Financial Statements
December 31, 2000 and 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Participants
OMEGA Joint Venture 1,3,4,5 and MES
2600 Airport Drive
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We have reviewed the Independent Auditor's Reports of the OMEGA Joint Venture 1,3,4,5 and MES, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2000 through December 31, 2000 (January 31, 2001 for Joint Venture 3). 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 OMEGA Joint Venture 1,3,4,5 and MES are responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 13, 2001

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Ohio Municipal Electric Generation Agency Joint Venture 1

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Report of Independent Accountants

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 1

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1) at December 31, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of OMEGA JV-1's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We conducted our audit 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of OMEGA JV-1 at December 31, 1999 and for the year then ended were audited by other independent accountants whose report, dated February 15, 2000, expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2001 on our consideration of OMEGA JV-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2000. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

Ohio Municipal Electric Generation Agency Joint Venture 1

Balance Sheets

At December 31, 2000 and 1999

	2000	1999
Assets		
Electric plant (Note 2)		
Electric generators	\$ 410,229	\$ 410,229
Fuel tank	35,000	35,000
Accumulated depreciation	<u>(122,438)</u>	<u>(107,597)</u>
Total electric plant	<u>322,791</u>	<u>337,632</u>
Current assets		
Cash and cash equivalents (Notes 2 and 4)	21,284	63,742
Receivables from participants	27,667	34,864
Fuel inventory	21,202	11,908
Prepaid expenses	<u>9,878</u>	<u>14,246</u>
Total current assets	<u>80,031</u>	<u>124,760</u>
Total assets	<u>\$ 402,822</u>	<u>\$ 462,392</u>
Participants' Equity and Liabilities		
Participants' equity (Note 2)		
Participants' contributions	\$ 485,184	\$ 485,184
Accumulated net margins	<u>(106,810)</u>	<u>(91,060)</u>
Total participants' equity	<u>378,374</u>	<u>394,124</u>
Current liabilities		
Payable to American Municipal Power-Ohio, Inc. (Note 3)	10,461	21,105
Accounts payable, trade	<u>13,987</u>	<u>47,163</u>
Total current liabilities	<u>24,448</u>	<u>68,268</u>
Total participants' equity and liabilities	<u>\$ 402,822</u>	<u>\$ 462,392</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 1

Statements of Operations

For the Years Ended December 31, 2000 and 1999

	2000	1999
Revenues		
Fees from participants	<u>\$ 175,658</u>	<u>\$ 226,866</u>
Expenses		
American Municipal Power-Ohio, Inc. services	93,080	88,647
Municipal Energy Services Agency services	16,440	6,698
Fuel	18,379	91,584
Maintenance	21,794	45,294
Depreciation	14,841	14,841
Professional services	6,120	7,407
Insurance	6,462	5,605
Electric services	11,020	11,036
Other operating expenses, net	<u>4,370</u>	<u>2,310</u>
Total expenses	<u>192,506</u>	<u>273,422</u>
Operating margins	(16,848)	(46,556)
Nonoperating Revenues		
Investment income	<u>1,098</u>	<u>2,614</u>
Net margins	<u>\$ (15,750)</u>	<u>\$ (43,942)</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 1

Statements of Participants' Equity For the Years Ended December 31, 2000 and 1999

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balances at 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 at December 31, 1999	485,184	(91,060)	394,124
Net margins for the year ended December 31, 2000	<u>-</u>	<u>(15,750)</u>	<u>(15,750)</u>
Balances at December 31, 2000	<u>\$ 485,184</u>	<u>\$ (106,810)</u>	<u>\$ 378,374</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 1

Statements of Cash Flows

For the Years Ended December 31, 2000 and 1999

	2000	1999
Cash flows from operating activities		
Operating margins	\$ (16,848)	\$ (46,556)
Adjustments to reconcile operating margins to net cash used in operating activities:		
Depreciation and amortization	14,841	14,841
Changes in assets and liabilities:		
Receivables from participants	7,197	(11,672)
Fuel inventory	(9,294)	(3,654)
Prepaid expenses	4,368	(3,029)
Payable to American Municipal Power-Ohio, Inc.	(10,644)	4,712
Accounts payable, trade	<u>(33,176)</u>	<u>35,716</u>
Net cash used in operating activities	<u>(43,556)</u>	<u>(9,642)</u>
Cash flows from investing activities		
Investment income	<u>1,098</u>	<u>2,614</u>
Net cash provided by investing activities	<u>1,098</u>	<u>2,614</u>
Net change in cash and cash equivalents	(42,458)	(7,028)
Cash and cash equivalents, beginning of year	<u>63,742</u>	<u>70,770</u>
Cash and cash equivalents, end of year	<u>\$ 21,284</u>	<u>\$ 63,742</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 1

Notes to Financial Statements December 31, 2000 and 1999

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.

2. Summary of 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 accounting principles generally accepted in the United States of America.

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 lives 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-1 cease business, these amounts, if available, will be returned to the Participants.

Ohio Municipal Electric Generation Agency Joint Venture 1

Notes to Financial Statements December 31, 2000 and 1999

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	0.71
Beach City	0.55
Prospect	0.50
Lucas	0.23
South Vienna	<u>0.19</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.

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 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.

Ohio Municipal Electric Generation Agency Joint Venture 1

Notes to Financial Statements December 31, 2000 and 1999

3. Related Agreements

OMEGA JV-1 has entered the following agreements:

- AMP-Ohio agreed to provide staffing and expertise to fulfill the management and operational obligations under the Agreement and act 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, 2000 and 1999 was \$93,080 and \$88,641, respectively. At December 31, 2000 and 1999, OMEGA JV-1 owed AMP-Ohio \$10,461 and \$21,105, 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 expense related to these services was \$16,440 and \$6,698 for the years ended December 2000 and 1999, respectively.

4. Cash and Cash Equivalents

At December 31, 2000 and 1999, the carrying amount of OMEGA JV-1's operating cash deposits was (\$5,996) and \$13,286, respectively, and the bank balance was \$398 and \$13,286, respectively. The difference between operating cash deposits and the bank balance is due to outstanding checks. At December 31, 2000 and 1999, \$16,525 and \$69,738, respectively, was invested in certain money market funds associated with the bank. Periodically, cash on deposit is invested overnight in these funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV-1.

5. Commitments and Contingencies

From time to time, OMEGA JV-1 is subject to claims and litigation in the normal course of business. At December 31, 2000 and 1999, OMEGA JV-1's management is unaware of any claims or litigation requiring accrual in the financial statements.

**Report of Independent Accountants 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 Generation Agency Joint Venture 1

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, 2000, and have issued our report thereon dated April 12, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether OMEGA JV-1's financial statements 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 OMEGA JV-1'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 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 to be 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 and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

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Ohio Municipal Electric Generation Agency Joint Venture 3

Financial Statements

January 31, 2001 and December 31, 1999

Ohio Municipal Electric Generation Agency Joint Venture 3

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Report of Independent Accountants

Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 3

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 3 (OMEGA JV-3) at January 31, 2001, and the results of its operations and its cash flows for the thirteen months then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of OMEGA JV-3's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We conducted our audit 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of OMEGA JV-3 at December 31, 1999 and for the year then ended were audited by other independent accountants whose report, dated February 15, 2000, expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2001 on our consideration of the OMEGA JV-3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the thirteen months ended January 31, 2001. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

Ohio Municipal Electric Generation Agency Joint Venture 3

Balance Sheets

At January 31, 2001 and December 31, 1999

	January 31, 2001	December 31, 1999
Assets		
Electric plant		
Electric generators	\$ -	\$ 476,998
Accumulated depreciation	-	(99,106)
Total electric plant	-	377,892
Current assets		
Cash and cash equivalents	183,221	112,412
Receivables from participants	398	5,211
Receivables from OMEGA JV-2	420,000	-
Fuel inventory (Note 2)	-	1,081
Prepaid expenses	-	6,947
Total current assets	603,619	125,651
Total assets	\$ 603,619	\$ 503,543
Participants' Equity and Liabilities		
Participants' equity		
Participants' contributions	\$ 2,000	\$ 2,000
Accumulated net margins	558,981	496,895
Total participants' equity	560,981	498,895
Current liabilities		
Payable to American Municipal Power-Ohio, Inc.	42,638	3,668
Accrued expenses	-	980
Total current liabilities	42,638	4,648
Total participants' equity and liabilities	\$ 603,619	\$ 503,543

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

Ohio Municipal Electric Generation Agency Joint Venture 3

Statements of Operations

For the Thirteen Months Ended January 31, 2001
and the Year Ended December 31, 1999

	January 31, 2001	December 31, 1999
Revenues		
Fees from participants	<u>\$ 58,203</u>	<u>\$ 57,062</u>
Expenses		
American Municipal Power-Ohio, Inc. services	5,910	5,628
Municipal Energy Services Agency services	7,771	3,148
Fuel	1,761	369
Maintenance	5,416	3,973
Professional services	10,166	4,697
Insurance	2,762	2,065
Depreciation	15,911	15,912
Electric service	3,618	3,421
Other operating expenses, net	<u>1,928</u>	<u>1,573</u>
Total expenses	<u>55,243</u>	<u>40,786</u>
Operating margins	2,960	16,276
Nonoperating Revenues		
Investment income	6,373	3,424
Gain on sale of assets	<u>52,753</u>	<u>-</u>
Net margins	<u>\$ 62,086</u>	<u>\$ 19,700</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 3

Statements of Participants' Equity For the Thirteen Months Ended January 31, 2001 and the Year Ended December 31, 1999

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balances at January 1, 1999	\$ 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 at December 31, 1999	2,000	496,895	498,895
Net margins for the thirteen months ended January 31, 2001	<u>-</u>	<u>62,086</u>	<u>62,086</u>
Balances at January 31, 2001	<u>\$ 2,000</u>	<u>\$ 558,981</u>	<u>\$ 560,981</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 3

Statements of Cash Flows

For the Thirteen Months Ended January 31, 2001
and the Year Ended December 31, 1999

	January 31, 2001	December 31, 1999
Cash flows from operating activities		
Operating margins	\$ 2,960	\$ 16,276
Adjustment to reconcile operating margins to net cash provided by operating activities:		
Depreciation	15,911	15,912
Changes in assets and liabilities:		
Receivables from participants	4,813	(204)
Fuel inventory and prepaid expenses	2,762	(3,944)
Payable to American Municipal Power-Ohio, Inc.	38,970	(6,370)
Accrued expenses	(980)	(1,210)
	<u>64,436</u>	<u>20,460</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Interest received	<u>6,373</u>	<u>3,424</u>
Net cash provided by investing activities	<u>6,373</u>	<u>3,424</u>
Net change in cash and cash equivalents	70,809	23,884
Cash and cash equivalents, beginning of period	<u>112,412</u>	<u>88,528</u>
Cash and cash equivalents, end of period	<u>\$ 183,221</u>	<u>\$ 112,412</u>
Supplemental Disclosure of Cash Flow Information		
Noncash operating and investing activities		
Accounts receivable exchanged for electric plant	<u>\$ 420,000</u>	<u>\$ -</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 3

Notes to Financial Statements

January 31, 2001 and December 31, 1999

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 was 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 were 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. Effective January 18, 2001, OMEGA JV-3 sold its electric plant to OMEGA JV-2 and will cease operations in 2001. (Notes 4 and 7)

2. Summary of 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 (FERC). The accounts of OMEGA JV-3 are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the 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 lives of the assets (30 years).

Fuel Inventory

Fuel inventory is stated at the lower of first-in, first-out cost 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.

Ohio Municipal Electric Generation Agency Joint Venture 3

Notes to Financial Statements

January 31, 2001 and December 31, 1999

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	0.43
Custar	<u>0.19</u>
Total	<u>100.00 %</u>

Revenue Recognition and Rates

Revenues are recognized when earned as electric power 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.

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 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.

3. Related Agreements

OMEGA JV-3 has entered into the following agreements:

- AMP-Ohio agreed to provide staffing and expertise necessary to fulfill the management and operational obligations under the Agreement and to act 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

Ohio Municipal Electric Generation Agency Joint Venture 3

Notes to Financial Statements

January 31, 2001 and December 31, 1999

direct expenses, personnel and overhead related to AMP-Ohio's performance of its obligations. The total amounts for the thirteen months ended January 31, 2001 and the year ended December 31, 1999 was \$5,910 and \$5,628, respectively. At January 31, 2001 and December 31, 1999, OMEGA JV-3 owed AMP-Ohio \$42,637 and \$3,668, 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, finance, administration and other services. The expenses related to these services were \$7,771 and \$3,148 for the thirteen months ended January 31, 2001 and the year ended December 31, 1999, respectively.

4. Sale of Electric Plant

Effective January 18, 2001, OMEGA JV-2 (JV-2) purchased the fixed assets of OMEGA JV-3, including the diesel generator, the transmission and distribution facilities, prepaid insurance and fuel inventory for the total purchase price of \$420,000. In addition, JV-2 obtained the rights to a lease agreement and the rights to a routine maintenance contract between OMEGA JV-3 and the City of Bowling Green, Ohio.

5. Cash and Cash Equivalents

At January 31, 2001 and December 31, 1999, the carrying amount of OMEGA JV-3's operating cash deposits was \$82,208 and \$17,174, respectively, and the bank balance was \$83,100 and \$19,923 respectively. The difference between cash deposits and bank balance is due to outstanding checks. At January 31, 2001 and December 31, 1999, \$101,013 and \$95,239, respectively, was invested in certain money market funds associated with the bank. Amounts in the operating cash deposits and investments with the bank in excess of \$100,000 are not covered by federal deposit insurance. Periodically, cash on deposit is invested overnight in these funds, which consists principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV-3.

6. Commitments and Contingencies

From time to time, OMEGA JV-3 is subject to claims and litigation in the normal course of business. At January 31, 2001 and December 31, 1999, OMEGA JV-3's management is not aware of any claims or litigation requiring accruals in the financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 3

Notes to Financial Statements January 31, 2001 and December 31, 1999

7. Subsequent Events

In March 2001, cash distributions were made to participants as follows:

<u>Participants</u>	<u>Distribution Amounts</u>
Bowling Green	\$ 271,357
Napoleon	131,382
Montpelier	43,363
Oak Harbor	20,221
Edgerton	19,660
Pemberville	16,402
Pioneer	16,346
Geona	12,301
Woodville	10,672
Elmore	10,335
Bradner	6,179
Haskins	2,415
Custar	<u>1,067</u>
Total	<u>\$ 561,700</u>

The difference between amounts distributed to participants and participants' equity at January 31, 2001 is due to interest income of \$1,068 and miscellaneous expenses of \$349.

**Report of Independent Accountants 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

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 3 (OMEGA JV-3) as of and for the thirteen months ended January 31, 2001, and have issued our report thereon dated April 12, 2001. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether OMEGA JV-3 financial statements 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 audits 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 audits, we considered OMEGA JV-3'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 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 to be 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 and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

**Ohio Municipal Electric
Generation Agency
Joint Venture 4**
Financial Statements
December 31, 2000 and 1999

Ohio Municipal Electric Generation Agency Joint Venture 4

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Report of Independent Accountants

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 4

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV-4) at December 31, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of OMEGA JV-4's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We conducted our audit 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of OMEGA JV-4 as of December 31, 1999 and for the year then ended were audited by other independent accountants whose report dated February 15, 2000 expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2001 on our consideration of OMEGA JV-4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2000. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

Ohio Municipal Electric Generation Agency Joint Venture 4

Balance Sheets

At December 31, 2000 and 1999

	2000	1999
Assets		
Utility plant		
Transmission line	\$ 1,979,694	\$ 1,979,694
Accumulated depreciation	<u>(329,140)</u>	<u>(263,115)</u>
Total utility plant	<u>1,650,554</u>	<u>1,716,579</u>
Current assets		
Cash and cash equivalents	255,138	236,216
Receivables from participants	6,698	5,888
Receivables from American Municipal Power-Ohio, Inc.	110,967	-
Supplies inventory	134,049	135,471
Prepaid expenses	<u>2,780</u>	<u>4,594</u>
Total current assets	<u>509,632</u>	<u>382,169</u>
Total assets	<u>\$ 2,160,186</u>	<u>\$ 2,098,748</u>
Participants' Equity and Liabilities		
Participants' equity		
Participants' contributions	<u>\$ 1,882,838</u>	<u>\$ 1,948,863</u>
Current liabilities		
Payable to American Municipal Power-Ohio, Inc.	-	61,909
Accrued expenses	<u>277,348</u>	<u>87,976</u>
Total current liabilities	<u>277,348</u>	<u>149,885</u>
Total participants' equity and liabilities	<u>\$ 2,160,186</u>	<u>\$ 2,098,748</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 4

Statements of Operations

For the Years Ended December 31, 2000 and 1999

	2000	1999
Revenues		
Transmission revenue	\$ 830,720	\$ 599,308
Reimbursement of expenses	<u>34,328</u>	<u>-</u>
Total revenues	<u>865,048</u>	<u>599,308</u>
Expenses		
American Municipal Power-Ohio, Inc. services	1,341	1,277
Municipal Energy Services Agency services	16,473	13,854
Wheeling fees	43,896	27,587
Maintenance	27,466	28,733
Professional services	99,566	26,486
Depreciation	66,025	66,025
Other operating expenses	<u>9,318</u>	<u>3,288</u>
Total expenses	<u>264,085</u>	<u>167,250</u>
Operating margin	600,963	432,058
Nonoperating Revenues		
Investment income	2,695	1,502
Miscellaneous revenue	<u>23,714</u>	<u>-</u>
Net margins	<u>\$ 627,372</u>	<u>\$ 433,560</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 4

Statements of Participants' Equity For the Years Ended December 31, 2000 and 1999

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Total</u>
Balances as of January 1, 1999	\$ 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>
Balances as of December 31, 1999	1,948,863	-	1,948,863
Net margins—2000	-	627,372	627,372
Distributions to participants			
Bryan	(27,731)	(263,496)	(291,227)
Pioneer	(19,807)	(188,212)	(208,019)
Montpelier	(16,506)	(156,843)	(173,349)
Edgerton	<u>(1,981)</u>	<u>(18,821)</u>	<u>(20,802)</u>
Balances as of December 31, 2000	<u>\$ 1,882,838</u>	<u>\$ -</u>	<u>\$ 1,882,838</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 4

Statements of Cash Flows

For the Years Ended December 31, 2000 and 1999

	2000	1999
Cash flows from operating activities		
Operating margins	\$ 600,963	\$ 432,058
Adjustments to reconcile operating margins to net cash provided by operating activities:		
Depreciation and amortization	66,025	66,025
Changes in assets and liabilities:		
Receivables from participants	(810)	3,142
Receivables from American Municipal Power-Ohio, Inc.	(110,967)	-
Supplies inventory	1,422	21,298
Prepaid expenses	1,814	(2,669)
Payable to American Municipal Power-Ohio, Inc.	(61,909)	51,476
Accrued expenses	<u>189,372</u>	<u>86,670</u>
Net cash provided by operating activities	<u>685,910</u>	<u>658,000</u>
Cash flows from capital and related financing activities		
Distribution to participants	(693,397)	(509,460)
Proceeds from sale of fixed assets	<u>23,714</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(669,683)</u>	<u>(509,460)</u>
Cash flows from investing activities		
Interest received	<u>2,695</u>	<u>1,502</u>
Net cash provided by investing activities	<u>2,695</u>	<u>1,502</u>
Net change in cash and cash equivalents	18,922	150,042
Cash and cash equivalents, beginning of year	<u>236,216</u>	<u>86,174</u>
Cash and cash equivalents, end of year	<u>\$ 255,138</u>	<u>\$ 236,216</u>
Supplemental Schedule of Noncash Financing Activity		
The Company had accrued distributions to members at December 31, 2000	<u>\$ 249,476</u>	<u>\$ -</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 4

Notes to Financial Statements December 31, 2000 and 1999

1. Organization

Purposes

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-kw three-phase transmission line located in Williams County, Ohio. OMEGA JV-4 derives substantially all its revenue from a single industrial customer.

2. Summary of 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). The accounts of OMEGA JV-4 are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

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:

Ohio Municipal Electric Generation Agency Joint Venture 4

Notes to Financial Statements December 31, 2000 and 1999

<u>Municipality</u>	<u>Percent Project Ownership</u>
Bryan	42.00 %
Pioneer	30.00
Montpelier	25.00
Edgerton	<u>3.00</u>
Total	<u>100.00 %</u>

Revenue Recognition and Rates

Revenues are recognized when transmission service is delivered to customers. Rates are set annually by the Board of Participants.

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 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 reporting period. Actual results could differ from those estimates.

3. Related Agreements

OMEGA JV-4 has entered into the following agreements:

- AMP-Ohio provides staffing and expertise to fulfill the 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; plus, 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, 2000 and 1999 was \$1,341 and \$1,277, respectively. As of December 31, 2000 and 1999, OMEGA JV-4 owed AMP-Ohio \$0 and \$61,909 respectively, related to these services.
- In 1997, OMEGA-JV-4 entered an agreement with the Municipal Energy Services Agency (MESA), a related joint venture, to provide certain engineering, finance, administration and other services. These expenses related to these services were \$16,473 and \$13,854 in 2000 and 1999, respectively.

Ohio Municipal Electric Generation Agency Joint Venture 4

Notes to Financial Statements December 31, 2000 and 1999

4. Cash and Cash Equivalents

As of December 31, 2000 and 1999, the carrying amount of OMEGA JV-4's cash deposits was \$255,138 and \$236,216, respectively, and the bank balance was \$255,138 and \$248,030, respectively. The difference between cash deposits and the bank balance is due to outstanding checks. Amounts in the operating cash accounts with the bank in excess of \$100,000 are not covered by federal depository insurance.

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 Co. in full, except for one count which it remanded back to the lower court for trial on the merits. On November 15, 2000, the Ohio Supreme Court reversed and remanded the appellate court decision, which had affirmed the trial court's dismissal. A pre-trial hearing took place on April 30, 2001. It is not possible to predict the outcome of this proceeding at this time. However, OMEGA JV-4 believes that it has meritorious legal and factual defenses to Toledo Edison Co.'s claims.

**Report of Independent Accountants 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

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, 2000, and have issued our report thereon dated April 12, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether OMEGA JV-4's financial statements 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 OMEGA JV-4'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 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 to be 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 and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

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

**Financial Statements
December 31, 2000**

Ohio Municipal Electric Generation Agency Joint Venture 5

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Report of Independent Accountants

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 5

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) as of December 31, 2000, and results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of OMEGA JV-5's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 2001 on our consideration of OMEGA JV-5'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, 2000. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

Ohio Municipal Electric Generation Agency Joint Venture 5

Balance Sheet As of December 31, 2000

Assets

Utility plant	
Electric plant in service	\$ 188,092,678
Accumulated depreciation	<u>(8,190,254)</u>
Total utility plant	<u>179,902,424</u>
Restricted assets	<u>43,209,002</u>
Current assets	
Cash and cash equivalents	1,733,932
Receivables from participants	917,202
Inventories	69,843
Prepaid expenses	<u>116,484</u>
Total current assets	<u>2,837,461</u>
Other assets	
Prepaid dedicated capacity	1,971,900
Prepaid bond insurance	1,699,465
Certificates of beneficial interest issuance costs	<u>1,387,955</u>
Total other assets	<u>5,059,320</u>
Total assets	<u>\$ 231,008,207</u>

Continued

Ohio Municipal Electric Generation Agency Joint Venture 5

Balance Sheet

As of December 31, 2000

Participants' Equity and Liabilities

Participants' equity

Participants' contributions	\$ 200,000
Accumulated net margins	<u>4,143,928</u>

4,343,928

Accumulated other comprehensive net margins	<u>22,471</u>
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Total participants' equity	<u>4,366,399</u>
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Certificates of beneficial interest

Certificates of beneficial interest	141,700,000
Unamortized discount	<u>(3,017,774)</u>

Net certificates of beneficial interest	<u>138,682,226</u>
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Liabilities payable from restricted assets

Accrued interest	2,918,981
Accrued construction costs	30,680,735
Construction retainage payable	<u>7,322,668</u>

Total liabilities payable from restricted assets	<u>40,922,384</u>
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Current liabilities

Accounts payable	1,625,376
Payable to American Municipal Power-Ohio, Inc.	254,372
Certificates of beneficial interest, current	<u>3,130,000</u>

Total current liabilities	<u>5,009,748</u>
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Deferred revenue

42,027,450

Total participants' equity and liabilities	<u>\$ 231,008,207</u>
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The accompanying notes are an integral part of these general-purpose financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5

Statement of Operations For the Year Ended December 31, 2000

Revenues	
Electric revenue	<u>\$ 21,815,222</u>
Expenses	
Purchased power	5,842,480
Affiliated entity services	622,477
Depreciation and amortization	4,405,651
Payment in lieu of taxes	839,975
Professional services	59,677
Insurance	109,795
Maintenance	437,427
Electric services	63,738
Other operating expenses	783,520
Interest expense	<u>7,801,670</u>
Total expenses	<u>20,966,410</u>
Operating margins	848,812
Nonoperating Revenues	
Investment income	<u>939,023</u>
Net margins	<u>\$ 1,787,835</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Statement of Participants' Equity For the Year Ended December 31, 2000

	<u>Participants'</u> <u>Contributions</u>	<u>Accumulated</u> <u>Net Margins</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Net Margins</u>	<u>Total</u>
Balances as of December 31, 1999	\$ 200,000	\$ 2,356,093	\$ (157,317)	\$ 2,398,776
Net margins	-	1,787,835	-	1,787,835
Change in investment valuation allowance	<u>-</u>	<u>-</u>	<u>179,788</u>	<u>179,788</u>
Comprehensive net margins				<u>1,967,623</u>
Balances as of December 31, 2000	<u>\$ 200,000</u>	<u>\$ 4,143,928</u>	<u>\$ 22,471</u>	<u>\$ 4,366,399</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Statement of Cash Flows For the Year Ended December 31, 2000

Cash flows from operating activities	
Operating margins	\$ 848,812
Adjustments to reconcile operating margins to net cash provided by operating activities:	
Depreciation and amortization	4,405,651
Amortization of deferred revenue	(1,279,476)
Changes in assets and liabilities:	
Receivables from participants	41,514
Inventories	(10,845)
Prepaid expenses	54,991
Accounts payable	966,566
Receivable from/payable to American Municipal Power-Ohio, Inc.	<u>(1,580,506)</u>
Net cash provided by operating activities	<u>3,446,707</u>
Cash flows from capital and related financing activities	
Interest received	2,458,970
Purchases of investments	(13,414,410)
Proceeds from sales of investments	14,385,495
Payments on certificates of beneficial interest	<u>(2,985,000)</u>
Net cash provided by capital and related financing activities	<u>445,055</u>
Cash flows from investing activities	
Purchase of utility plant	<u>(3,923,778)</u>
Net cash used in investing activities	<u>(3,923,778)</u>
Net change in cash and cash equivalents	(32,016)
Cash and cash equivalents, beginning of year	<u>1,765,948</u>
Cash and cash equivalents, end of year	<u>\$ 1,733,932</u>
Supplemental Cash Flow Information	
Accrued additions to utility plant	<u>\$ 30,680,735</u>

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

1. Organization

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) 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 JV-5 constructed and owns and operates the Project. The Project operations consists 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 JV-5 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.

OMEGA JV-5 was constructed with proceeds from the issuance of Certificates of Beneficial Interest (the Certificates). The Certificates evidence the obligation of the Participants to pay for the cost of the Project from revenues of their electric systems. Management services are provided to OMEGA JV-5 by AMP-Ohio and Municipal Energy Services Agency (MESA).

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by OMEGA JV-5:

Basis of Accounting

The accounting records of OMEGA JV-5 are maintained in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Accounts of OMEGA JV-5 are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Electric plant in service is recorded at cost and consists of the hydroelectric plant, transmission facilities and backup generating units. Depreciation is provided on the straight-line method over the estimated useful life of the assets.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements

December 31, 2000

The Project was placed in service in May 1999. However, proceeds from the Certificates were not fully paid to vendors until 2001. Accordingly, interest earned and realized and unrealized gains loss on investments, through the disbursements date, have been reflected in the cost of utility plant (see Note 10).

Construction work in progress consisted of all costs incurred directly related to the Project during the construction period, including all interest costs of the Certificates, interest earned, and realized and unrealized gains and losses on related interest-bearing investments acquired with proceeds of the Certificates.

Participants' Equity

Participants' equity consists of contributed capital of the Participants and accumulated net margins. Should OMEGA JV-5 cease business, these amounts, if available, will be returned to the Participants.

All property constituting OMEGA JV-5 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	16.67 %
Bowling Green	15.73
Niles	10.63
Napoleon	7.35
Jackson	7.14
Hudson Village	5.69
Wadsworth	5.62
Oberlin	3.02
New Bremen	2.38
Bryan	2.19
Hubbard	2.07
Montpelier	2.02
Minster	1.99
Columbiana	1.66
Wellington	1.62
Versailles	1.10
Monroeville	1.02
Oak Harbor	0.94
Lodi	0.94
Pemberville	0.92
Edgerton	0.92
Arcanum	0.84
Seville	0.82
Brewster	0.79
Pioneer	0.76
Genoa	0.69
Jackson Center	0.67

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

<u>Municipality</u>	<u>Percent Project Ownership and Entitlement</u>
Grafton	0.64 %
Elmore	0.58
Woodville	0.50
Milan	0.39
Bradner	0.35
Beach City	0.30
Prospect	0.27
Haskins	0.13
Lucas	0.13
Arcadia	0.11
South Vienna	0.11
Waynesfield	0.08
Eldorado	0.08
Republic	0.08
Custar	0.06
	<hr/>
	100.00 %

Inventories

Inventories consist of fuel, materials and supplies used to operate the Project and are determined on the first-in, first-out method.

Revenue Recognition and Rates

Revenues are recognized when earned as service is delivered to the Participants' points of delivery. OMEGA JV-5 '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.

Deferred revenue represents amounts prepaid by the Participants for debt service payments and contributions to the Reserve and Contingency Fund. The amounts related to debt service payments are amortized on a basis which allows the related depreciation expense, interest expense and billings to the Participants for debt service to have no net impact on operating margins.

Investments

Investments of restricted assets are held for sale and are, therefore, recorded at market with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive net margins, a separate component of participants' equity. Realized gains and losses on investment transactions are determined on the specific-identification basis.

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

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

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.

3. Related Agreements

OMEGA JV-5 has entered into the following agreements:

- AMP-Ohio periodically provides services to OMEGA JV-5 as its agent. The cost of these services for the year ended December 31, 2000 was \$21,612.
- As OMEGA JV-5's agent, AMP-Ohio purchases power on OMEGA JV-5's behalf. Power and fuel purchases for the year ended December 31, 2000 amounted to \$5,842,480. As of December 31, 2000, OMEGA JV-5 owed AMP-Ohio \$254,372 related to these services.
- OMEGA JV-5 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 \$647,500 for the year ended December 31, 2000.
- In 1993, OMEGA JV-5 paid \$3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts (kW) of its generating capacity as a backup resource to OMEGA JV-5. 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.
- OMEGA JV-5 has entered into an agreement with MESA, a related joint venture, for MESA to provide management, engineering and other technical services. The expenses related to these services were \$846,821 in 2000, including \$245,956 in construction work in progress.

4. Cash and Cash Equivalents

As of December 31, 2000, the carrying amount of OMEGA JV-5's operating cash deposits were \$590,656, and the bank balance was \$684,412. The difference between cash deposits and the bank balance is due to outstanding checks. At December 31, 2000, \$1,143,276 was invested in certain money market funds associated with the bank. Amounts in the operating cash deposits and investments with the bank in excess of \$100,000 are not covered by federal depository insurance. Periodically, cash on deposit is invested overnight in these funds, which consist principally of obligations guaranteed by the United States government. The funds are collateralized by investments purchased by the funds, which are not held in the name of OMEGA JV-5.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

5. Restricted Assets

Restricted assets include those assets comprising Construction, Debt Service, Certificate Payment, Construction Retainage 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. Assets in the Construction and Construction Retainage Funds are available for payment of construction and acquisition costs of the facility. The Construction Fund also includes the liquidated damages withheld from progress payments as discussed in Note 10. Assets in the Debt Service Reserve Fund are for use to make up any deficiency in the amount of principal and interest currently due and, to the extent available, to make any portion of the final debt service payment amount due on February 15, 2024. Assets in the Reserve and Contingency Fund are for use to make up any deficiency in the amount of principal and interest payments and, to the extent available, to provide for future repair and maintenance costs.

The aggregate amount of cash and investments in each of these funds as of December 31, 2000 is as follows:

Construction Fund	\$ 20,968,842
Debt Service Reserve Fund	11,382,586
Certificate Payment Fund	6,650,721
Construction Retainage Fund	3,058,518
Reserve and Contingency Fund	<u>999,087</u>
Investments at cost	43,059,754
Investment valuation allowance	<u>22,471</u>
Investments at market	43,082,225
Accrued interest receivable	<u>126,777</u>
	<u>\$ 43,209,002</u>

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

As of December 31, 2000, investments were held as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds and cash equivalents	\$ 32,068,092	\$ 32,068,092
United States Treasury obligations	<u>10,991,662</u>	<u>11,014,133</u>
Total	<u>\$ 43,059,754</u>	<u>\$ 43,082,225</u>

The Certificates' Trust Agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Indemnity Corporation (AMBAC). The Trust Agreement does not restrict the duration of investments to the limitations imposed by Chapter 135.

At December 31, 2000, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The United States Treasury obligations mature at various dates from the period February 2000 through August 2002.

Interest income capitalized to construction work in progress was \$1,250,061 for the year ended December 31, 2000.

6. Prepaid Bond Insurance

In connection with the issuance of the Certificates in 1993, OMEGA JV-5 paid \$2,274,376 on behalf of the Participants to AMBAC for municipal bond insurance (the Policy). In consideration of the payment of the premium and subject to the terms of the Policy, AMBAC 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 Certificates using the straight-line method.

7. Certificates of Beneficial Interest Issuance Costs

In connection with the issuance of the Certificates in 1993, OMEGA JV-5 paid \$1,854,451 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 using the straight-line method.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

8. Certificates of Beneficial Interest

The Series 1993 Certificates of Beneficial Interest (the Series 1993 Certificates) outstanding as of December 31, 2000 are as follows:

<u>Maturity Date</u> <u>February 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2001	\$ 3,130,000	4.88 %
2002	3,280,000	5.00
2003	3,445,000	5.00
2004	3,620,000	5.10
2005	3,800,000	5.25
2006	4,000,000	5.38
2007	4,215,000	5.40
2008	4,445,000	5.50
2013	26,100,000	5.38
2016	19,320,000	5.63
2024	<u>69,475,000</u>	5.38
	<u>\$ 144,830,000</u>	

The Series 1993 Certificates stated to mature on February 15, 2013, February 15, 2016 and February 15, 2024 are subject to mandatory sinking fund redemption. Interest on the Series 1993 Certificates is payable semiannually on February 15 and August 15 of each year, commencing February 15, 1994, to and including the date of maturity or prior redemption.

The Series 1993 Certificates are not subject to optional redemption before February 15, 2003. Series 1993 Certificates maturing after February 15, 2003 are subject to redemption in whole or in part on any date on or after February 15, 2003 at a redemption price plus accrued interest to the redemption date as set forth below:

<u>Redemption Period</u>	<u>Redemption</u> <u>Price</u>
February 15, 2003 through February 14, 2004	102 %
February 15, 2004 through February 14, 2005	101 %
February 15, 2005 and thereafter	100 %

Except for the limited step-up provisions, in the event of default by a participant as described in Section 18 of the Trust Agreement, the 1993 Series Certificates are payable solely from bond debt service payments to be made by the OMEGA JV-5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV-5 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 JV-5.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

Debt service requirements for the next five years and cumulative requirements thereafter as of December 31, 2000 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 3,130,000	\$ 7,707,655	\$ 10,837,655
2002	3,280,000	7,549,362	10,829,362
2003	3,445,000	7,381,237	10,826,237
2004	3,620,000	7,202,802	10,822,802
2005	3,800,000	7,010,741	10,810,741
2006-2024	<u>127,555,000</u>	<u>76,323,301</u>	<u>203,878,301</u>
	<u>\$ 144,830,000</u>	<u>\$ 113,175,098</u>	<u>\$ 258,005,098</u>

9. Commitments

OMEGA JV-5 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 such time as the Project ceases commercial operations.

10. Project Contractor and Related Matters

On February 24, 1995, OMEGA JV-5 entered into a contract for the construction of the Project near Belleville, West Virginia. Under the dispute procedure in the contract, the contractor asserted claims in 1996 against OMEGA JV-5 for different site conditions, extra work delays, and acceleration, certain of which were rejected by the independent resident engineer. The contractor subsequently filed two civil actions in 1996 against OMEGA JV-5 in the United States District Court for the Western District of West Virginia.

In March 1997, the contractor notified OMEGA JV-5 of additional claims that were also submitted to the resident engineer. In April 1997, the contractor and OMEGA JV-5 entered into a mediation agreement that provided for a three-stage mediation process. After substantial exchange of documents and review, the resident engineer substantially denied entitlement of Phase 1 claims by the contractor. The mediation session required under the mediation agreement was conducted relative to Phase 1 claims, but no settlement was reached. Phase 2 and 3 claims have not yet been addressed.

In an additional development, on August 10, 1997, the contractor and certain related companies filed for bankruptcy protection under 11 U.S.C. §1101 in the United States Bankruptcy Court for the Northern District of California. That proceeding is continuing. Since that time, the insurance companies that bonded the contractor have provided financing and assumed control of the construction contract.

Ohio Municipal Electric Generation Agency Joint Venture 5

Notes to Financial Statements December 31, 2000

In June 1999, the contractor and its insurance companies submitted a consolidated claim to OMEGA JV-5. In September 1999, the engineer issued a decision denying the consolidated claim in its entirety.

By stipulation of the parties, the two district court actions were dismissed without prejudice in September 1999. In November 1999, the parties agreed that a single action would be refiled. OMEGA JV-5 filed its answer to the complaint in December 1999 and also filed a counterclaim. In November 1999, the parties agreed to conduct a mediation in attempt to reach a settlement of the disputes. The mediation was conducted January 24-25, 2000. The parties did not reach a settlement.

On February 14, 2001, a full settlement agreement was reached between the contractor, the insurance companies and OMEGA JV-5. The settlement agreement stated OMEGA JV-5 must pay the following amounts to the insurer: \$21,000,000 within five days of the settlement agreement; \$3,800,000 within thirty days of the settlement agreement; and \$12,800,000 within five days of OMEGA JV-5's receipt of financing but no later than one hundred eighty calendar days from January 29, 2001. The OMEGA JV-5 has recorded the settlement amount, less previously accrued related construction retainage payable of \$6,919,265, as accrued construction costs at December 31, 2000.

Supplemental Information

Report of Independent Accountants on Supplementary Financial Data

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 5

Our report on the audit of the general-purpose financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) as of December 31, 2000 and for the year then ended, appears on page 1. This audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The Supplemental Schedule of Receipts and Disbursements of the 1993 Certificates of Beneficial Interest (Belleville Hydroelectric Project) Funds and Accounts (the Schedule) for the year ended December 31, 2000 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 Star Bank, Cincinnati, NA (renamed Firststar Bank N.A.), as trustee, and OMEGA JV-5 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 Participants of OMEGA JV-5 and Firststar Bank N.A., trustee. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 21, 2001

Ohio Municipal Electric Generation Agency Joint Venture 5

Schedule of Receipts and Disbursements of the 1993 Certificates of Beneficial Interest (Belleville Hydroelectric Projects) Funds and Accounts December 31, 2000

	Funds Held by Trustee					
	Total	Construction Fund	Debt Service Reserve Fund	Certificate Payment Fund	Construction Retainage Fund	Reserve and Contingency Fund
Fund balances as of January 1, 2000	\$ 44,030,839	\$ 22,798,852	\$ 11,021,315	\$ 6,271,497	\$ 2,985,522	\$ 953,653
Receipts:						
Interest on investments	2,458,970	1,250,061	697,477	325,969	139,461	46,002
Debt service receipts	10,913,557	-	-	10,913,557	-	-
Power sales and other required payments	(735)	-	-	(735)	-	-
Total receipts	<u>13,371,792</u>	<u>1,250,061</u>	<u>697,477</u>	<u>11,238,791</u>	<u>139,461</u>	<u>46,002</u>
Disbursements:						
Production costs	1,686,474	1,686,474	-	-	-	-
Trustee fees	3,305	-	222	2,515	-	568
Professional fees	1,282,567	1,282,567	-	-	-	-
Engineering and consulting	513,479	447,014	-	-	66,465	-
Capital loss	17,945	-	-	17,945	-	-
Bond payment	10,839,107	-	-	10,839,107	-	-
Total disbursements	<u>14,342,877</u>	<u>3,416,055</u>	<u>222</u>	<u>10,859,567</u>	<u>66,465</u>	<u>568</u>
Transfers	<u>-</u>	<u>335,983</u>	<u>(335,983)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of (disbursement) receipts	<u>(971,085)</u>	<u>(1,830,011)</u>	<u>361,272</u>	<u>379,224</u>	<u>72,996</u>	<u>45,434</u>
Fund balances as of December 31, 2000	<u>\$ 43,059,754</u>	<u>\$ 20,968,841</u>	<u>\$ 11,382,587</u>	<u>\$ 6,650,721</u>	<u>\$ 3,058,518</u>	<u>\$ 999,087</u>

The difference between the total fund balances per the schedule of receipts and disbursements and the carrying value of the restricted assets per the audited general-purpose financial statements as of December 31, 2000 represents accrued interest receivable and the investment valuation allowance of \$(126,777) and \$(22,471), respectively.

**Report of Independent Accountants 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 5

We have audited the general-purpose financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) as of and for the year ended December 31, 2000, and have issued our report thereon dated April 12, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether OMEGA JV-5's financial statements 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 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 OMEGA JV-5'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 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 to be 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 and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

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**Municipal Energy
Services Agency**
Financial Statements
December 31, 2000 and 1999

Municipal Energy Services Agency

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Report of Independent Accountants

Board of Participants
Municipal Energy Services Agency

In our opinion, the accompanying general-purpose financial statements present fairly, in all material respects, the financial position of Municipal Energy Services Agency (MESA) at December 31, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of MESA's management; our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We conducted our audit 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of MESA as of December 31, 1999 and for the year then ended were audited by other independent accountants whose report dated February 15, 2000 expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2001 on our consideration of MESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2000. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001

Municipal Energy Services Agency

Balance Sheets

At December 31, 2000 and 1999

	2000	1999
Assets		
Current assets		
Cash and cash equivalents	\$ 659,244	\$ 292,403
Accounts receivable	44,936	18,583
Due from American Municipal Power-Ohio, Inc.	-	284,727
Other assets	<u>13,226</u>	<u>50,644</u>
Total assets	<u>\$ 717,406</u>	<u>\$ 646,357</u>
Participants' Equity and Liabilities		
Participants' equity	<u>\$ -</u>	<u>\$ -</u>
Current liabilities		
Accrued salaries and related benefits	593,401	584,575
Accounts payable	68,286	61,782
Payable to American Municipal Power-Ohio, Inc.	<u>55,719</u>	<u>-</u>
Total liabilities	<u>717,406</u>	<u>646,357</u>
Total participants' equity and liabilities	<u>\$ 717,406</u>	<u>\$ 646,357</u>

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

Municipal Energy Services Agency

Statements of Operations

For the Years Ended December 31, 2000 and 1999

	2000	1999
Revenues		
Engineering and other services	\$ 4,565,534	\$ 4,485,535
Other income	<u>116,088</u>	<u>10,786</u>
Total revenues	<u>4,681,622</u>	<u>4,496,321</u>
Expenses		
American Municipal Power-Ohio, Inc. services	57,152	131,660
Salaries	3,558,768	3,203,921
Employee benefits	841,422	967,483
Professional fees	7,415	10,454
General and administrative	84,867	77,958
Insurance	49,019	45,683
Utilities	34,372	48,560
Membership	<u>55,818</u>	<u>15,526</u>
Total expenses	<u>4,688,833</u>	<u>4,501,245</u>
Operating margin	(7,211)	(4,924)
Nonoperating Revenues		
Interest income	<u>7,211</u>	<u>4,924</u>
Net margins	<u>\$ -</u>	<u>\$ -</u>

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

Municipal Energy Services Agency

Statements of Cash Flows

For the Years Ended December 31, 2000 and 1999

	2000	1999
Cash flows from operating activities		
Net margins	\$ -	\$ -
Adjustments to reconcile net margins to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(26,353)	23,941
Due from/payable to American Municipal Power-Ohio, Inc.	340,446	86,620
Other assets	37,418	(10,281)
Accrued salaries and related benefits	8,826	162,618
Accounts payable	<u>6,504</u>	<u>(4,989)</u>
Net cash provided by operating activities	366,841	257,909
Cash and cash equivalents, beginning of year	<u>292,403</u>	<u>34,494</u>
Cash and cash equivalents, end of year	<u>\$ 659,244</u>	<u>\$ 292,403</u>

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

Municipal Energy Services Agency

Notes to Financial Statements December 31, 2000 and 1999

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. 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. It also provides administrative services to American Municipal Power-Ohio, Inc.

2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies followed by MESA:

Basis of Accounting

Accounts of MESA are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the 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.

Revenue Recognition

Revenues are recognized as services are performed.

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 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.

Municipal Energy Services Agency

Notes to Financial Statements December 31, 2000 and 1999

3. Related Agreements

MESA has entered into agreements with related entities to provide certain engineering and other services. Revenues earned from these agreements in 2000 and 1999 are as follows:

	2000	1999
American Municipal Power-Ohio, Inc.	\$ 3,247,112	\$ 3,296,961
Ohio Municipal Electric Generation Agency Joint Venture 1	16,441	6,698
Ohio Municipal Electric Generation Agency Joint Venture 3	7,771	3,148
Ohio Municipal Electric Generation Agency Joint Venture 4	49,104	17,564
Ohio Municipal Electric Generation Agency Joint Venture 5	846,821	769,505
Participants	87,022	50,658
Ohio Municipal Electric Association	205,748	229,523
Ohio Public Power Educational Institute	<u>105,515</u>	<u>111,478</u>
Total	<u>\$ 4,565,534</u>	<u>\$ 4,485,535</u>

As of December 31, 2000 and 1999, MESA had a (payable to) and receivable from American Municipal Power-Ohio, Inc. of (\$55,719) and \$284,727, respectively.

4. Cash and Cash Equivalents

As of December 31, 2000 and 1999, the carrying amount of MESA's cash deposits was \$90,684 and \$95,911, respectively, and the bank balance was \$104,000. The difference between cash deposits and the bank balance is due primarily to outstanding checks. At December 31, 2000, \$568,560 was invested in certain money market funds associated with the bank. The bank balance and investments with the bank in excess of \$100,000 are not covered by federal depository insurance.

5. Pension Plans

Public Employees Retirement System of Ohio

All full-time permanent employees of MESA participate in the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit public pension plan. PERS 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.

Municipal Energy Services Agency

Notes to Financial Statements December 31, 2000 and 1999

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate effective for 2000 was 8.5% for employees. The 2000 employer contribution rate was 10.65% of covered payroll.

MESA's total current-year payroll was \$3,558,768, all of which related to employees who were covered by PERS. The employee contributions to PERS totaled \$292,749, while employer contributions totaled \$367,535, which represented 8.5% and 10.65% of MESA's total current-year covered payroll, respectively.

PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215 or by calling (614) 466-2085 or (800) 222-PERS (7377).

Postemployment Benefits

PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disabled recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund health care through their contributions to PERS. The 2000 employer contribution rate was 10.65% of covered payroll; 4.3% was the portion that was used to fund health care for the year. MESA's 2000 employer contributions to PERS totaled \$367,535. Of this amount, \$155,945 was used to fund health care contributions.

OPEB 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.

As of December 31, 2000, the unaudited estimated net assets available for future OPEB payments were \$10,805,500,000. The number of benefit recipients eligible for OPEB at December 31, 2000 was 401,339. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473,600,000 and \$1,668,100,000, respectively.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Retirement Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing.

**Report of Independent Accountants 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
Municipal Energy Services Agency
Columbus, Ohio

We have audited the financial statements of Municipal Energy Services Agency (MESA) as of and for the year ended December 31, 2000, and have issued our report thereon dated April 12, 2001. 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.

Compliance

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 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 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 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 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 to be 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 and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 12, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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OMEGA Joint Venture 1,3,4,5 & MES

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
NOVEMBER 20, 2001**