

**OHIO MUNICIPAL ELECTRIC
GENERATION AGENCY
JOINT VENTURE 5**

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2007 and 2006

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

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INDEPENDENT AUDITORS' REPORT

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 5

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of December 31, 2007 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of OMEGA JV5 management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of and for the year ended December 31, 2006 were audited by other auditors whose report, dated April 18, 2007, expressed an unqualified opinion on these financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMEGA JV5 as of December 31, 2007 and changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 9, 2008 on our consideration of JV5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 9, 2008

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

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

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") for the years ended December 31, 2007 and 2006. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV5 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV5's basic financial statements include the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets provides information about the nature and amount of assets and liabilities of OMEGA JV5 as of the end of the year. The statement of revenues, expenses and changes in net assets reports revenues and expenses and the change in net assets for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital financing, investing and capital and related financing activities.

Financial Highlights

The following table summarizes the financial position of OMEGA JV5 as of December 31.

Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Utility plant	\$ 146,020,175	\$ 150,682,794	\$ 155,345,413
Restricted assets	10,613,487	10,403,638	10,108,620
Current assets	6,991,591	8,719,973	7,118,763
Other assets	<u>2,962,537</u>	<u>3,464,101</u>	<u>3,994,153</u>
Total assets	<u>\$ 166,587,790</u>	<u>\$ 173,270,506</u>	<u>\$ 176,566,949</u>
Net Assets and Liabilities			
Net assets - Invested in capital assets	\$ 20,642,075	\$ 21,994,119	\$ 23,511,564
Net assets - restricted	7,381,651	7,139,925	6,858,095
Net assets - unrestricted	(19,074,237)	(18,330,853)	(21,087,676)
Net beneficial interest certificates	121,003,100	124,403,675	127,708,849
Liabilities payable from restricted assets	7,606,836	7,548,714	7,375,525
Current liabilities	1,468,804	1,478,498	1,521,138
Regulatory and noncurrent liabilities	<u>27,559,561</u>	<u>29,036,428</u>	<u>30,679,454</u>
Total net assets and liabilities	<u>\$ 166,587,790</u>	<u>\$ 173,270,506</u>	<u>\$ 176,566,949</u>

Utility plant assets decreased \$4,662,619 in 2007 and \$4,662,619 in 2006 as a result of accumulated depreciation in those respective years. There were no significant capital expenditures or retirements of assets for OMEGA JV5 during these years.

Restricted assets at December 31, 2007 were \$10,613,487. This was an increase of \$209,849 in 2007 compared to 2006, and an increase of \$295,018 in 2006 compared to 2005. The increases in both 2007 and 2006 were primarily due to interest earned on funds on deposit with the trustee.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

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

Current assets at December 31, 2007 were \$6,991,591. This was a decrease of \$1,728,382 for 2007 compared to 2006, and an increase of \$1,601,210 in 2006 compared to 2005. In 2007, the decrease is due to a decrease in operating cash of \$1,692,192, an increase in accounts receivable of \$148,557, a decrease in other receivables of \$188,673, and an increase in inventory and prepaid expenses of \$3,926. The increase in 2006 is due to an increase in operating cash of \$1,325,997, an increase in accounts receivable of \$45,646, an increase in other receivables of \$188,673 and an increase in inventory and prepaid expenses of \$40,894.

Other assets at December 31, 2007 were \$2,962,537. This was a decrease in 2007 compared to 2006 of \$501,564, and a decrease in 2006 compared to 2005 of \$530,052. The decrease in 2007 was the result of a decrease in prepaid dedicated capacity of \$240,142, prepaid bond insurance of \$135,444, and beneficial interest certificates' issuance costs of \$125,978. The decrease in 2006 was the result of a decrease in prepaid dedicated capacity of \$240,142, prepaid bond insurance of \$150,928, and beneficial interest certificates' issuance costs of \$138,982.

Net assets at December 31, 2007 were \$8,949,489. This was a decrease in 2007 compared to 2006 of \$1,853,702, and an increase in 2006 compared to 2005 of \$1,521,208. The decrease in 2007 was the result of an increase in restricted assets of \$241,726, a decrease in invested in capital assets, net of related debt of \$1,352,044, and a decrease in unrestricted assets of \$743,384. The increase in 2006 was the result of an increase in unrestricted assets of \$2,756,823, an increase in restricted assets of \$281,830, and a decrease in invested in capital assets, net of related debt of \$1,517,445.

Net Beneficial Interest Certificates at December 31, 2007 were \$121,003,100. This was a decrease in 2007 over 2006 of \$3,400,575, and a decrease in 2006 over 2005 of \$3,305,174. The decrease in 2007 compared to 2006 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of \$4,285,000 combined with accretion expense on the 2001 bonds. The decrease in 2006 compared to 2005 is primarily due to a principal payment made on the 2004 Beneficial Interest Certificates of \$4,125,000 combined with accretion expense on the 2001 bonds.

Liabilities from restricted assets at December 31, 2007 were \$7,606,836. This was an increase of \$58,122 in 2007 compared to 2006, and an increase of \$173,189 in 2006 compared to 2005. The increase in 2007 was the result of an increase debt service collected to be reimbursed to members of \$259, an increase in beneficial interest certificates of \$90,000, and a decrease in accrued interest of \$32,137. The increase in 2006 was the result of an increase debt service collected to be reimbursed to members of \$75,064, an increase in beneficial interest certificates of \$160,000, and a decrease in accrued interest of \$61,875.

Regulatory and noncurrent liabilities at December 31, 2007 were \$27,559,561. This was a decrease in 2007 compared to 2006 of \$1,476,867, and a decrease of \$1,643,026 in 2006 compared to 2005. The decrease in 2007 was the result of a decrease in regulatory liabilities of \$1,471,728 and accrued license fees of \$5,139. The decrease in 2006 was the result of a decrease in regulatory liabilities of \$1,625,517 and accrued license fees of \$17,509.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	2005
Operating revenues	\$ 23,702,278	\$ 23,567,468	\$ 24,651,913
Operating expenses	<u>17,771,750</u>	<u>16,406,994</u>	<u>17,739,712</u>
Operating margin	<u>5,930,528</u>	<u>7,160,474</u>	<u>6,912,201</u>
Nonoperating revenue			
Investment income	539,807	582,240	309,415
Litigation Settlement	38,339	188,673	-
Interest Expense	(5,852,585)	(5,880,127)	(6,004,940)
Amortization	<u>(428,091)</u>	<u>(530,052)</u>	<u>(579,805)</u>
Total nonoperating revenue	<u>(5,702,530)</u>	<u>(5,639,266)</u>	<u>(6,275,330)</u>
Transfers to Members	<u>(2,081,700)</u>	-	-
Change in net assets	<u>\$ (1,853,702)</u>	<u>\$ 1,521,208</u>	<u>\$ 636,871</u>

Operating revenue increased \$134,810 in 2007 compared to 2006. Operating revenues decreased \$1,084,445 in 2006 compared to 2005. The increase in 2007 compared to 2006 is a result of an increase in replacement purchased power, primarily due to a decrease in generation. The decrease in 2006 compared to 2005 is a result of a decrease in replacement purchased power, primarily due to an increase in generation.

Operating expenses increased by \$1,364,756 in 2007 compared to 2006 primarily as the result of an increase in replacement purchased power. Operating expenses decreased by \$1,332,718 in 2006 compared to 2005 primarily as a result of a decrease in replacement purchased power.

Investment income decreased \$42,433 in 2007 compared to 2006, and increased \$272,825 in 2006 compared to 2005. The decrease in 2007 was primarily the result of increased levels of cash on-hand and decreasing interest rates for the year. The increase in 2006 was primarily the result of increased levels of cash on-hand and rising interest rates for the year.

Litigation settlements decreased \$150,334 in 2007 compared to 2006. Litigation settlements increased \$188,673 in 2006 compared to 2005. A settlement was reached involving the barge accident in January 2005.

Current liabilities at December 31, 2007 were \$1,468,804. This was a decrease in 2007 compared to 2006 of \$9,694, and a decrease in 2006 compared to 2005 of \$42,640. The decrease in 2007 over 2006 was primarily due to a decrease in accounts payable and accrued expenses of \$35,037 offset by an increase in regulatory liabilities of \$1,340 and an increase in accounts payable of \$24,003. The decrease in 2006 over 2005 was primarily due to a decrease in accounts payable of \$454,511 offset by an increase in regulatory liabilities of \$39,678 and an increase in accounts payable and accrued expenses of \$372,193.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

STATEMENT OF NET ASSETS
December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 5,629,578	\$ 7,321,770
Receivables from participants	1,020,073	692,466
Receivables from related parties	-	179,050
Other receivables	-	188,673
Inventory	122,765	121,425
Prepaid expenses	219,175	216,589
Total Current Assets	<u>6,991,591</u>	<u>8,719,973</u>
Non-Current Assets		
Restricted Assets		
Restricted assets - funds held by trustee	10,613,487	10,403,638
Other Assets		
Prepaid dedicated capacity	320,190	560,332
Prepaid bond insurance	1,294,731	1,430,175
Beneficial interest certificates' issuance costs	1,347,616	1,473,594
Electric Plant and Equipment		
Electric plant in service	186,288,814	186,288,814
Land	431,881	431,881
Accumulated depreciation	<u>(40,700,520)</u>	<u>(36,037,901)</u>
Total Non-Current Assets	<u>159,596,199</u>	<u>164,550,533</u>
TOTAL ASSETS	<u>\$ 166,587,790</u>	<u>\$ 173,270,506</u>

	<u>2007</u>	<u>2006</u>
NET ASSETS AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,254,856	\$ 1,289,893
Payable to related parties	91,183	67,180
Regulatory liabilities - current	122,765	121,425
Liabilities Payable From Restricted Assets		
Accrued interest	1,797,741	1,829,878
Debt service collected to be reimbursed to members	1,434,095	1,433,836
Beneficial interest certificates, current	4,375,000	4,285,000
Total Current Liabilities	<u>9,075,640</u>	<u>9,027,212</u>
Noncurrent Liabilities		
Regulatory liabilities	27,482,776	28,954,504
Accrued license fees	76,785	81,924
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount	(36,386,459)	(37,434,356)
2004 beneficial interest refunding certificates	100,060,000	104,435,000
Unamortized premium	5,261,605	5,833,079
Unamortized cost from defeasance of 1993 beneficial interest certificates	<u>(4,057,046)</u>	<u>(4,555,048)</u>
Total Noncurrent Liabilities	<u>148,562,661</u>	<u>153,440,103</u>
Net Assets		
Invested in capital assets, net of related debt	20,642,075	21,994,119
Restricted	7,381,651	7,139,925
Unrestricted	<u>(19,074,237)</u>	<u>(18,330,853)</u>
Total Net Assets	<u>8,949,489</u>	<u>10,803,191</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 166,587,790</u>	<u>\$ 173,270,506</u>

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

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

	2007	2006
OPERATING REVENUES		
Electric revenue	\$ 23,702,278	\$ 23,567,468
OPERATING EXPENSES		
Purchased power	9,607,339	7,768,052
Related party services	1,051,066	1,097,836
Depreciation	4,662,619	4,662,619
Maintenance	672,792	518,479
Utilities	114,253	113,426
Insurance	377,714	371,779
Professional services	102,358	236,525
Payment in lieu of taxes	839,975	840,000
Other operating expenses	343,634	798,278
Total Operating Expenses	17,771,750	16,406,994
Operating Income	5,930,528	7,160,474
NONOPERATING REVENUES		
Investment income	539,807	582,240
Litigation settlement	38,339	188,673
Interest expense	(5,852,585)	(5,880,127)
Amortization of issuance costs and insurance	(261,422)	(302,256)
Amortization of Oberlin financing	(240,142)	(240,142)
Amortization of bond defeasance	(498,001)	(559,947)
Amortization of premium	571,474	572,293
Total Nonoperating Revenues	(5,702,530)	(5,639,266)
Net Income before Distributions	227,998	1,521,208
SPECIAL ITEM		
Distributions to participants	(2,081,700)	-
Change in net assets	(1,853,702)	1,521,208
NET ASSETS, Beginning of Year	10,803,191	9,281,983
NET ASSETS, END OF YEAR	\$ 8,949,489	\$ 10,803,191

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 23,780,733	\$ 23,167,846
Cash paid to related parties for personnel services	(1,075,069)	(925,044)
Cash payments to suppliers and related parties for goods and services	(12,053,900)	(10,606,076)
Net Cash Provided by Operating Activities	10,651,764	11,636,726
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distribution to participants	(2,081,700)	-
Net Cash Provided by Noncapital Financing Activities	(2,081,700)	-
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on beneficial interest certificates	(4,285,000)	(4,125,000)
Interest payments on beneficial interest certificates	(5,884,722)	(4,962,176)
Proceeds from debt service to be refunded to members	-	1,588,536
Payment of debt service refunded to members	(209,849)	(1,513,472)
Net Cash Used in Capital and Related Financing Activities	(10,379,571)	(9,012,112)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(422,492)	(1,815,762)
Investment income received	539,807	517,145
Net Cash Provided by Investing Activities	117,315	(1,298,617)
 Net Change in Cash and Cash Equivalents	(1,692,192)	1,325,997
 CASH AND CASH EQUIVALENTS, Beginning of Year	7,321,770	5,995,773
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,629,578	\$ 7,321,770

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 5,930,528	\$ 7,160,474
Non-operating income	38,339	
Depreciation	4,662,619	4,662,619
Changes in assets and liabilities		
Receivables from participants	(327,607)	130,430
Receivables from related parties	179,050	(176,076)
Other accounts receivables	188,673	-
Inventory	(1,340)	(39,678)
Prepaid expenses	(2,586)	(1,216)
Accounts payable and accrued expenses	(34,776)	372,193
Payable to related parties	24,003	(454,511)
Accrued license fees	(5,139)	(17,509)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,651,764</u>	<u>\$ 11,636,726</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and temporary investments	\$ 5,629,578	\$ 7,321,770
Funds held by trustee	<u>10,613,487</u>	<u>10,403,638</u>
Total cash accounts	16,243,065	17,725,408
Less Non-cash equivalents	<u>(10,613,487)</u>	<u>(10,403,638)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,629,578</u>	<u>\$ 7,321,770</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Noncash settlement of litigation	\$ -	\$ 188,673

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ohio Municipal Electric Generation Agency Joint Venture 5 (“OMEGA JV5”) was organized by 42 subdivisions of the State of Ohio (the “Participants”) on April 20, 1993, pursuant to a Joint Venture Agreement (the “Agreement”) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose was to undertake the Belleville Hydroelectric Project (the “Project”). The Participants are members of American Municipal Power-Ohio, Inc. (“AMP-Ohio”). OMEGA JV5 constructed and owns and operates the Project. The Project operations consist of:

- The Belleville hydroelectric generating plant and associated transmission facilities (“Belleville Hydroelectric Facilities”);
- Backup generation facilities, including contracts for the output thereof; and
- Power purchased on behalf of OMEGA JV5 participants.

The Belleville Hydroelectric Facilities consists of a run-of-the-river hydroelectric plant designed for a capacity of 42 megawatts and approximately 26.5 miles of 138-kilovolt transmission facilities. The plant is located in West Virginia, on the Ohio River, at the Belleville Locks and Dam.

The Project was constructed with proceeds from the issuance of beneficial interest certificates (the “Certificates”). The Certificates evidence the obligation of the Participants to pay for the cost of the Project from revenues of their electric systems. The Agreement continues until 60 days subsequent to the termination or disposition of the Project and thereafter until the date the principal of, premium, if any, and interest on all bonds have been paid or deemed paid in accordance with any applicable trust indenture; provided, however, that each Participant shall remain obligated to pay to OMEGA JV5 its respective share of the costs of terminating, discontinuing, retiring, disposing of, and decommissioning the Project.

The following summarizes the significant accounting policies followed by OMEGA JV5.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

OMEGA JV5 applies all Financial Accounting Standards Board (“FASB”) statements and interpretations except those that conflict with or contradict Governmental Accounting Standards Board (“GASB”) pronouncements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont.)

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

NEW ACCOUNTING STANDARDS

In September 2006 the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157 (“FAS 157”), Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. OMEGA JV5 does use fair value measurements in applying its current accounting principles, and is evaluating the effect this standard may have on its financial statements.

Deposits and Investments

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

Investments of OMEGA JV5 are restricted by Ohio Revised Code (ORC) section 135.14. Investments are limited to:

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

The JV5 has adopted an investment policy. That policy follows the state statute for allowable investments.

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS

Receivables/Payables

Accounts receivable are amounts due from participants at the end of the year. Due to the participant relationship and the high degree of collectibility, no allowance for uncollectible accounts is necessary. Accounts payable are amounts due to vendors for services incurred in 2007.

Inventory

Inventory consists of fuel and is stated at the lower of first-in, first-out (“FIFO”) cost or market.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified

Prepays

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

JV5 Plant

JV5 plant is recorded at cost and consists of the hydroelectric plant, equipment, transmission facilities, and backup generating units. Depreciation is provided on the straight-line method over the estimated useful life of the assets ranging from 3 to 40 years. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When JV5 plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

JV5 plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service JV5 of the capital asset may have significantly and unexpectedly declined. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Asset Retirement Obligations

OMEGA JV5 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the cost of the related long-lived asset is increased. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss. Depreciation expense and accretion expense incurred, but not yet recovered through rates, are offset by regulatory assets to be recovered through future billings to Participants. OMEGA JV5 has determined that the asset retirement obligation associated with the electric plant has an indeterminate settlement date, and, therefore, its fair value is not reasonably estimable. As a result, OMEGA JV5 has not recorded an asset retirement obligation. An obligation will be recorded when a range of possible settlement dates and the fair value can be determined.

Regulatory Liabilities

OMEGA JV5 records regulatory liabilities (deferred revenues for rates collected from Participants for expenses not yet incurred). Regulatory liabilities consist of deferred revenue related to amounts prepaid by the Participants for debt service payments and contributions to the Reserve and Contingency Fund and interest earned thereon. As depreciation expense from capital expenditures, amortization expense from items related to the Certificates and interest expense is incurred, regulatory liabilities are amortized to match revenues with the related expenses.

Long-Term Obligations

Long-term debt and other obligations are reported as OMEGA JV5 liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets

All property constituting OMEGA JV5 is owned by the Participants as tenants in common in undivided shares, each share being equal to that Participant's percentage ownership interest as follows:

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
Cuyahoga Falls	7,000	16.67%
Bowling Green	6,608	15.73
Niles	4,463	10.63
Napoleon	3,088	7.35
Jackson	3,000	7.14
Hudson	2,388	5.69
Wadsworth	2,360	5.62
Oberlin	1,270	3.02
New Bremen	1,000	2.38
Bryan	919	2.19
Hubbard	871	2.07
Montpelier	850	2.02
Minster	837	1.99
Columbiana	696	1.66
Wellington	679	1.62
Versailles	460	1.10
Monroeville	427	1.02
Oak Harbor	396	0.94
Lodi	395	0.94
Pemberville	386	0.92
Edgerton	385	0.92
Arcanum	352	0.84
Seville	344	0.82
Brewster	333	0.79
Pioneer	321	0.76
Genoa	288	0.69

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
Jackson Center	281	0.67%
Grafton	269	0.64
Elmore	244	0.58
Woodville	209	0.50
Milan	163	0.39
Bradner	145	0.35
Beach City	128	0.30
Prospect	115	0.27
Haskins	56	0.13
Lucas	54	0.13
Arcadia	46	0.11
South Vienna	45	0.11
Waynesfield	35	0.08
Eldorado	35	0.08
Republic	35	0.08
Custar	<u>24</u>	<u>0.06</u>
Totals	<u>42,000</u>	<u>100.00%</u>

REVENUES AND EXPENSES

Operating Revenue and Expenses

Operating revenues are recognized when earned as service is delivered. OMEGA JV5's rates for electric power are designed to cover annual operating costs except depreciation. Debt service is billed separately to the Participants. Rates are set annually by the Board of Participants.

COMPARATIVE DATA

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	Carrying Value as of December 31,		Risks
	<u>2007</u>	<u>2006</u>	
Money Market Funds	\$ 5,629,578	\$ 7,321,770	Custodial Credit and Credit Custodial Credit Credit, Interest, Custodial Credit, and Concentration
US Treasury Obligation	896	1,785	
Commercial Paper	<u>10,612,591</u>	<u>10,403,638</u>	
Total Cash	<u>\$ 16,243,065</u>	<u>\$ 17,727,193</u>	

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

Custodial Credit Risk

Deposits

Custodial risk is the risk that in the event of a bank failure, JV5's deposits may not be returned to it. JV5 does not have a custodial credit risk policy. JV5 has custodial credit risk on its cash and cash equivalent balance to the extent the balance exceeds the federally insured limit of \$100,000.

The JV5 have deposits exposed to custodial credit risk.

	<u>2007</u>		<u>2006</u>	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Huntington Bank	<u>\$ 5,529,578</u>	<u>\$ 5,529,578</u>	<u>\$ 7,221,770</u>	<u>\$ 7,221,770</u>

The JV5's investment policy does not address this risk.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Custodial Credit Risk (cont.)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the JV5 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2007 and 2006, the JV5's investments were exposed to custodial credit risk as follows:

	2007		2006	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Neither insured nor registered and held by a counterparty	\$ 10,613,487	\$10,613,487	\$ 10,403,638	\$ 10,403,638

The JV5's investment policy does not address this risk.

Credit Risk

OMEGA JV5 invests in instruments approved under the entity's investment policy. The board of participants has authorized JV5 to invest in funds in accordance with the Ohio Revised Code. Allowable investments include United States Treasury and federal and state government agency obligations, money market funds, and commercial paper with the highest classification by at least two nationally recognized standard rating services.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Credit Risk (cont.)

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

As of December 31, 2007, the JV5's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
Commercial Paper	A1+	P1

As of December 31, 2006 the JV5's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
Commercial Paper	A1+	P1

Concentration of Credit Risk

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

At December 31, 2007 and 2006 the JV5's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>	
		<u>2007</u>	<u>2006</u>
Citigroup	Commercial Paper	-	23.48%
General Electric	Commercial Paper	5.45%	10.30%
US Bank	Commercial Paper	59.88%	24.90%

The JV5's investment policy does not address this risk.

Interest Rate Risk

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2007, the JV5's investments were as follows:

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
General Electric Commercial Paper	2/15/2008	\$ 885,957
US Bank Commercial Paper	2/15/2008	\$ 9,726,633

As of December 31, 2006, the JV5's investments were as follows:

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
General Electric Commercial Paper	2/15/2007	\$ 1,825,162
US Bank Commercial Paper	2/15/2007	\$ 4,414,209
Citigroup Commercial Paper	2/15/2007	\$ 4,162,484

The JV5's investment policy does not address this risk.

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Debt Service Reserve, Certificate Payment, and Reserve and Contingency Funds, which are established and maintained pursuant to the trust agreement for the Certificates. Substantially all assets in the Certificate Payment Fund are available only to meet principal and interest payments on the Certificates. As part of the refunding of the 1993 Certificates in February 2004, the Debt Service Reserve Fund was liquidated. Assets In the Reserve and Contingency Fund are to be used for the following purposes: (i) subject to certain conditions, to remedy deficiencies in bond debt service payments; (ii) to pay for operating or repairs and maintenance; and (iii) to provide for the decommissioning of the Project.

The Certificates' trust agreement limits permissible restricted investments to those authorized for municipalities by Chapter 135 of the Ohio Revised Code and also permits investments approved in writing by the AMBAC Assurance Corporation ("AMBAC") and MBIA Insurance Corporation ("MBIA"). The trust agreement does not restrict the duration of investments to the limitations imposed by Chapter 135. At December 31, 2007 and 2006, all investments were purchased in the name of the restricted funds' trustee and are held by the trustee. The investments held by the trustee are uninsured and unregistered.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 3 – RESTRICTED ASSETS

Restricted Net Assets

The following calculation supports the amount of restricted net assets:

	2007	2006
Restricted Assets		
Certificate payment fund	\$ 7,442,001	\$ 7,394,950
Reserve and contingency fund	3,171,486	3,008,689
	10,613,487	10,403,639
Less:		
Current Liabilities Payable From Restricted Assets	(3,231,836)	(3,263,714)
Total Restricted Net Assets as Calculated	\$ 7,381,651	\$ 7,139,925

NOTE 4 – JV5 PLANT

JV5 plant activity for the years ended December 31 is as follows:

	2007		
	Beginning Balance	Additions	Ending Balance
JV5 plant	\$ 186,288,814	\$ -	\$ 186,288,814
Land	431,881	-	431,881
Total JV5 Plant in Service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(36,037,901)	(4,662,619)	(40,700,520)
JV5 Plant, Net	\$ 150,682,794	\$ (4,662,619)	\$ 146,020,175
	2006		
	Beginning Balance	Additions	Ending Balance
JV5 plant	\$ 186,288,814	\$ -	\$ 186,288,814
Land	431,881	-	431,881
Total JV5 Plant in Service	186,720,695	-	186,720,695
Less: Accumulated depreciation	(31,375,282)	(4,662,619)	(36,037,901)
JV5 Plant, Net	\$ 155,345,413	\$ (4,662,619)	\$ 150,682,794

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 5 – PREPAID BOND INSURANCE

In connection with the issuance of the 2001 Certificates, OMEGA JV5 paid \$407,000 on behalf of the Participants for municipal bond insurance. In consideration of the payment of the premium and subject to the terms of the policy, the insurance company agrees to pay to the State Street Bank and Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and interest on the Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost is being amortized over the maturities of the 2001 Certificates.

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid \$1,264,718 on behalf of the Participants for municipal bond insurance. In consideration of the payment of the premium and subject to the terms of the policy, the insurance company agrees to pay to the United States Trust Company of New York, as trustee, or its successor, for benefit of the bondholders, that portion of the principal and Interest on the Certificates that becomes due for payment but remains unpaid by reason of nonpayment by the Participants. This cost is being amortized over the maturities of the 2004 Certificates.

In connection with the issuance of the 2004 Certificates, OMEGA JV5 paid \$325,834 to Ambac Assurance Corporation for the purchase of a financial guaranty insurance policy. In consideration of the payment of the premium and subject to the terms of the policy, Ambac Assurance Corporation agrees to pay to The Bank of New York, as trustee, or its successor, that portion of the principal and interest on the 2004 Certificates, which becomes due for payment, but shall be unpaid, due to nonpayment by OMEGA JV5. This cost is being amortized over the maturities of the 2004 Certificates.

NOTE 6 – BENEFICIAL INTEREST CERTIFICATES ISSUANCE COSTS

In connection with the issuance of the 2001 Certificates and the 2004 Certificates, OMEGA JV5 paid \$692,981 and \$1,333,796, respectively, on behalf of the Participants for underwriter's discount and other costs of issuance. These costs are being amortized over the maturities of the Certificates.

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES

In February, 2004 OMEGA JV5 issued 2004 Beneficial Interest Refunding Certificates ("2004 Certificates") totaling \$116,910,000 for the purpose of refunding the principal of the outstanding 1993 Beneficial Interest Certificates ("1993 Certificates") due in the years 2005 through 2024. The 2004 Certificates were sold at a premium of \$7,674,145.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

OMEGA JV5 paid a redemption premium of \$1,313,550 to redeem the 1993 Certificates. The difference between the reacquisition price of \$132,668,550 and the net carrying amount of the 1993 Certificates, including unamortized discount and issuance costs, of \$126,112,000, is deferred and amortized as a component of interest expense over the life of the 2004 Certificates. This difference is presented in the balance sheet as a reduction of the 2004 Certificates.

OMEGA JV5 refunded the 1993 Certificates to reduce the total debt service payments through 2024 by approximately \$24,000,000 and to obtain an economic gain (difference between the present value of the debt service payments on the 1993 Certificates and the 2004 Certificates) of \$18,593,150.

The 2004 Certificates outstanding at December 31, 2007, are as follows:

<u>Maturity Date</u> <u>February 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2008	\$ 4,375,000	2.25%
2009	4,475,000	2.50
2010	4,570,000	3.00
2011	4,705,000	3.25
2012	4,860,000	5.00
2013	5,105,000	5.00
2014	5,355,000	5.00
2015	5,630,000	5.00
2016	6,050,000	5.00
2017	6,215,000	5.00
2018	6,520,000	5.00
2019	6,845,000	5.00
2020	7,190,000	5.00
2021	7,550,000	5.00
2022	7,925,000	5.00
2023	8,325,000	5.00
2024	<u>8,740,000</u>	4.75
	104,435,000	
Less: Current portion	(4,375,000)	
Unamortized premium	5,261,605	
Unamortized cost from defeasance of beneficial interest certificates	<u>(4,057,046)</u>	
Total	<u>\$ 101,264,559</u>	

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Interest on the 2004 Certificates is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2004, to and including the date of maturity or prior redemption.

The 2004 Certificates are not subject to optional redemption before February 15, 2014. The 2004 Certificates maturing after February 15, 2014 are subject to redemption in whole or in part on any date on or after February 15, 2014 at par plus accrued interest.

In accordance with the trust agreement, amended on January 1, 2004, OMEGA JV5 is required to charge the Participants additional debt service (“Refunding Debt Service”) in the amount of 15% of principal and Interest. On February 16 of each year from 2005 through 2024, amounts charged to the Participants for Refunding Debt Service for the previous twelve months shall be refunded to the Participants. OMEGA JV5 established a liability payable from restricted assets of \$1,434,095 and \$1,433,836 for amounts to be refunded to Participants at December 31, 2007 and 2006, respectively.

The 2001 Beneficial Interest Certificates (the “2001 Certificates”) outstanding at December 31, 2007 are as follows:

<u>Maturity Date</u> <u>February 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Yield to</u> <u>Maturity</u>
2025	\$ 10,915,000	5.51%
2026	10,915,000	5.52
2027	10,915,000	5.53
2028	10,915,000	5.54
2029	10,465,000	5.55
2030	<u>2,000,000</u>	5.56
Sub-Total	56,125,000	
Less: Unamortized discount	<u>(36,386,459)</u>	
Total	<u>\$ 19,738,541</u>	

The principal amount at maturity of the 2001 Certificates will accrete from the date of issuance, compounded semiannually on February 15 and August 15 of each year, commencing February 2002, with the original discount amount of \$42,225,017, and will be payable at maturity as a component of the maturity. The 2001 Certificates are not subject to redemption prior to maturity.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Except for the limited step-up provisions in the event of default by a Participant as described in Section 18 of the Joint Venture Agreement, the 2004 Certificates and the 2001 Certificates are payable solely from bond debt service payments to be made by the OMEGA JV5 Participants pursuant to an agreement dated as of January 1, 1993. The bond debt service payments are obligations of the OMEGA JV5 Participants, payable from the revenues of their municipal electric JV5 systems, subject only to the prior payment of the operation and maintenance expenses thereof. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of OMEGA JV5.

The terms of the trust agreement related to the Certificates contain various covenants, the most restrictive of which require the timely payment of debt service and for the Participants of OMEGA JV5 to comply with the provisions of the Joint Venture Agreement.

Under the Joint Venture Agreement, the Participants must manage electric system revenues and expenditures so that, in each year, those revenues received in that year cover the greater of (i) operating and maintenance (“O&M”) expenses plus 110% of its OMEGA JV5 bond debt service payments and any other senior electric revenue debt, or (ii) O&M expenses plus 100% of its OMEGA JV5 bond debt service payments and all other electric system debt whether revenue or general obligation (“debt service coverage ratio”).

Based upon unaudited financial information for the year 2007, one Participant either was not in compliance or was not able to affirmatively certify compliance with the debt service coverage ratio requirement of the Joint Venture Agreement.

Debt service requirements for the next five years and cumulative requirements thereafter for the 2004 Certificates and the 2001 Certificates at December 31, 2007 are as follows:

	Principal	Interest	Refunding Debt Service	Totals
2008	\$ 4,375,000	\$4,744,756	\$ 1,375,345	\$ 10,495,101
2009	4,475,000	4,639,600	1,375,580	10,490,180
2010	4,570,000	4,515,113	1,373,049	10,458,162
2011	4,705,000	4,370,106	1,372,734	10,447,840
2012	4,860,000	4,172,150	1,373,048	10,405,198
2013 - 2017	28,355,000	16,854,625	6,887,776	52,097,401
2018 - 2022	36,030,000	8,836,500	6,865,088	51,731,588
2023 - 2027	25,673,880	24,966,970	2,746,733	53,387,583
2028 - 2030	5,291,103	18,088,897	-	23,380,000
Totals	<u>\$ 118,334,983</u>	<u>\$ 91,188,717</u>	<u>\$ 23,369,353</u>	<u>\$ 232,893,053</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

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

	December 31, 2007		December 31, 2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities:				
2001 Certificates	\$ 19,738,541	\$ 19,736,034	\$ 18,690,644	\$ 22,941,440
2004 Certificates	105,639,559	103,407,933	109,998,031	113,960,863

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

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(37,434,356)	-	1,047,897	(36,386,459)
	18,690,644		1,047,897	19,738,541
2004 certificates	104,435,000	-	(4,375,000)	100,060,000
Less: Current maturities	4,285,000	4,375,000	(4,285,000)	4,375,000
Unamortized premium	5,833,079	-	(571,474)	5,261,605
Unamortized loss from refunding beneficial interest certificates	(4,555,048)	-	498,002	(4,057,046)
	109,998,031	4,375,000	(8,733,472)	105,639,559
Regulatory liabilities	28,954,504	-	(1,471,729)	27,482,775
Accrued license fees	81,924	76,785	(81,924)	76,785
Totals	\$ 157,725,103	\$ 4,451,785	\$(9,239,228)	\$ 152,937,660

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 – BENEFICIAL INTEREST CERTIFICATES (cont.)

Long-term liability activity for the years ended December 31 is as follows: (cont.)

	2006			Ending Balance
	Beginning Balance	Additions	Reductions	
2001 certificates	\$ 56,125,000	\$ -	\$ -	\$ 56,125,000
Less: Unamortized discount	(38,426,529)	-	992,173	(37,434,356)
	<u>17,698,471</u>	<u>-</u>	<u>992,173</u>	<u>18,690,644</u>
2004 certificates	108,720,000	-	(4,285,000)	104,435,000
Less: Current maturities	4,125,000	4,285,000	(4,125,000)	4,285,000
Unamortized premium	6,405,372		(572,293)	5,833,079
Unamortized loss from refunding beneficial interest certificates	(5,114,994)	-	559,946	(4,555,048)
	<u>114,135,378</u>	<u>4,285,000</u>	<u>(8,422,347)</u>	<u>109,998,031</u>
Regulatory liabilities	30,580,021	-	(1,625,517)	28,954,504
Accrued license fees	<u>99,433</u>	<u>81,924</u>	<u>(99,433)</u>	<u>81,924</u>
Totals	<u><u>\$ 162,513,303</u></u>	<u><u>\$ 4,366,924</u></u>	<u><u>\$ (9,155,124)</u></u>	<u><u>\$ 157,725,103</u></u>

Regulatory liabilities at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Regulatory Liabilities		
Debt service billed to Participants for Certificates in excess of related expenses	\$ 25,996,712	\$ 27,631,238
Debt service billed to Participants for funding the Reserve and Contingency Fund and accumulated interest	1,486,063	1,323,266
Inventories billed to Participants	<u>122,765</u>	<u>121,425</u>
Total Regulatory Liabilities	27,605,540	29,075,929
Current portion	<u>(122,765)</u>	<u>(121,425)</u>
Noncurrent Portion	<u><u>\$ 27,482,775</u></u>	<u><u>\$ 28,954,504</u></u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 8 – NET ASSETS

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the JV5's policy to use restricted resources first, then unrestricted resources as they are needed.

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

	2007	2006
Plant Assets	\$ 186,288,814	\$ 186,288,814
Land	431,881	431,881
Accumulated Depreciation	(40,700,520)	(36,037,901)
Sub-Totals	146,020,175	150,682,794
 Restricted:		
2001 beneficial interest certificates	56,125,000	56,125,000
Unamortized discount- 01 BIC's	(36,386,459)	(37,434,356)
2004 beneficial interest certificates	100,060,000	104,435,000
Unamortized premium – 2004 BIC's	5,261,605	5,833,079
Unamortized defeasance costs – 93 BIC's	(4,057,046)	(4,555,048)
Current portion – BIC's	4,375,000	4,285,000
Sub- Totals	125,378,100	128,688,675
Total Net Assets Invested In Capital Assets, Net of Related Debt	\$ 20,642,075	\$ 21,994,119

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 9 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

OMEGA JV5 is subject to regulation by federal, state and local authorities related to Environmental and other matters. Changes in regulations could adversely affect operations and operating costs of OMEGA JV5.

Most metropolitan and industrialized counties in Ohio have become non-attainment areas under the new ozone and fine particulate matter ambient air quality standards. This will require substantial local reductions of nitrogen oxides, volatile organic compounds, sulfur dioxide, and particulate matter. In addition to emissions reductions required to achieve compliance in downwind, neighboring states. Medina (Wadsworth), Trumbull (Niles), and Wood (Bowling Green) Counties are non-attainment areas for ozone and for fine particulate matter, therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the OMEGA JV5 backup generation facilities in these areas.

OTHER COMMITMENTS

OMEGA JV5 has agreed to make certain payments in lieu of taxes to Wood County, West Virginia. The payments in lieu of taxes will be approximately \$840,000 annually until the later of September 1, 2028 or until such time as the Project ceases commercial operations.

NOTE 10 – RISK MANAGEMENT

OMEGA JV5 is covered under the insurance policies of AMP-Ohio and is billed for its proportionate share of the insurance expense. AMP-Ohio maintains insurance policies related to commercial property, motor vehicle liability, workers' compensation, excess liability, general liability, pollution liability, directors' and officers' insurance, fiduciary liability, crime and fidelity coverage.

NOTE 11 – RELATED PARTY TRANSACTIONS

OMEGA JV5 has entered into the following agreements:

- Pursuant to the Agreement, AMP-Ohio was designated as an agent and provides various management and operational services. The cost of these services for the years ended December 31, 2007 and 2006 was \$170,038 and \$171,884, respectively. OMEGA JV5 had a payable/receivable from AMP-Ohio of \$0 at December 31, 2007 and a receivable of \$179,050 at December 31, 2006.
- As OMEGA JV5's agent, AMP-Ohio purchases power and fuel on behalf of OMEGA JV5. Power and fuel purchases for the years ended December 31, 2007 and 2006 amounted to \$9,607,339 and \$7,768,052, respectively.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 5**

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 11 – RELATED PARTY TRANSACTIONS (cont.)

- As OMEGA JV5's agent, AMP-Ohio entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expense related to these services was \$881,027 and \$925,952 for the years ended December 31, 2007 and 2006, respectively. OMEGA JV5 had payables to MESA of \$65,014 and \$67,180 at December 31, 2007 and 2006, respectively.
- OMEGA JV5 sold capacity from back-up generating units to AMP-Ohio's Northwest Area Service Group, Northeast Area Service Group and Jackson, Ohio. This revenue was approximately \$648,000 for the years ended December 31, 2007 and 2006.
- In 1993, OMEGA JV5 prepaid \$3,045,707 to the City of Oberlin, Ohio, for a commitment to provide 12,000 kilowatts of its generating capacity as a backup resource to OMEGA JV5. The commitment is for dedicated capacity from June 1, 1996 through May 31, 2009. This asset is being amortized ratably over the term of the commitment.
- Participants with backup generating units sited in their communities provide utilities to the Units. OMEGA JV5 incurred expenses of \$98,366 and \$88,520 for these services for the years ended December 31, 2007 and 2006, respectively.



Virchow Krause & company

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

Board of Participants
Ohio Municipal Electric Generation Agency
Joint Venture 5

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 5 ("OMEGA JV5") as of and for the year ended December 31, 2007, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered OMEGA JV5's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV5's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV5's internal control over financial reporting.

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Internal Control Documentation

New auditing requirements went into place for the 2007 audit under the Statement on Auditing Standards No. 112 "Communicating Internal Control Matters Identified in an Audit." The auditing standard requires the OMEGA JV5 to document their internal control systems. Currently, the OMEGA JV5 does not have their internal controls documented. Absence of this documentation results in a material weakness in internal control. You should have all of your major processes contained in written documents in enough detail that another person could come in and fulfill the requirements of a particular process by following the explanations.

Financial Reporting

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

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

Auditee Response:

OMEGA JV5 is not staffed at a level to prepare the annual financial statements.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether OMEGA JV5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance for failure of having collateral or pledge securities over the FDIC limit that are required to be reported under *Government Auditing Standards*.

OMEGA JV5's response to the findings identified in our audit were not audited by us and, accordingly, we express no opinion on it.

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

Virchow, Krause & Company, LLP