OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2012 and 2011

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Participants
Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency
1111 Schrock Road Suite 100
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, 4, 5, 6 and Municipal Energy Services Agency, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

May 29, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 1 as of December 31, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2013 on our consideration of OMEGA JV1's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OMEGA JV1's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 17, 2013

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012, 2011 and 2010
(Unaudited)

Financial Statement Overview

This discussion and analysis provides an overview of the financial performance of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1") for the years ended December 31, 2012 and 2011. The information presented should be read in conjunction with the basic financial statements and the accompanying notes.

OMEGA JV1 prepares its basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV1's basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets and liabilities of OMEGA JV1 as of the end of the year. The statements of revenues, expenses and changes in net position report revenues and expenses for the year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating and investing activities.

Financial Highlights

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

Condensed Statements of Net Position

	2012	2011	2010
Assets			
Electric plant, net of accumulated depreciation	$ 191,909	$ 227,325	$ 251,505
Board designated funds	71,199	76,977	76,642
Regulatory assets	72,340	62,539	57,861
Current assets	181,017	191,313	182,736
Total Assets	$ 516,465	$ 558,154	$ 568,744
Net Position and Liabilities			
Net investment in capital assets	$ 191,909	$ 227,325	$ 251,505
Net position - unrestricted	231,517	237,404	221,979
Total net position	423,426	464,729	473,484
Current liabilities	21,840	16,448	18,618
Noncurrent liabilities	71,199	76,977	76,642
Total Net Position and Liabilities	$ 516,465	$ 558,154	$ 568,744

2012 vs. 2011

Total assets were $516,465 and $558,154 as of December 31, 2012 and December 31 2011, respectively, a decrease of $41,689. The decrease in 2012 total assets is due primarily to an increase in accumulated depreciation.

Electric plant, net of accumulated depreciation was $191,909 and $227,325 at year-end 2012 and 2011, respectively, a decrease of $35,416. The decrease was primarily the result of a decrease in ARO asset values of $12,691 and an increase in accumulated depreciation of $22,725. The cost associated with the asset retirement obligation included in the cost of electric plant for 2012 was $27,718, versus $40,409 in 2011. ARO obligations for OMEGA JV1 were prepared by an independent engineering consultant.

Regulatory assets were $72,340 and $62,539 at December 31, 2012 and December 31, 2011, respectively, an increase of $9,801. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were $181,017 and $191,313 at December 31, 2012 and December 31, 2011, respectively, a decrease of $10,296. Compared to 2011 levels, cash and temporary investments and accrued interest receivable increased $4,131, accounts receivable decreased $3,253, inventory decreased $11,678, and prepaid assets increased $504.

Total net position and liabilities were $516,465 and $558,154 as of December 31, 2012 and December 31, 2011, respectively, a decrease of $41,689.

Total net position was $423,426 and $464,729 at December 31, 2012 and December 31, 2011, respectively, a decrease of $41,303, which resulted from the 2012 net loss. Net investment in capital assets was $191,909 and $227,325 at December 31, 2012 and December 31, 2011, respectively, a decrease of $35,416. This decrease resulted from the decrease in electric plant, net of depreciation explained above. Unrestricted net position was $231,517 and $237,404 at December 31, 2012 and December 31, 2011, respectively, a decrease of $5,887.

Current liabilities were $21,840 and $16,448 at December 31, 2012 and December 31, 2011, respectively, an increase of $5,392. This resulted from an increase in accounts payable of $1,498 and an increase in payables to related parties of $4,014 and a decrease in accruals of $120.

Noncurrent liabilities were $71,199 and $76,977 as of December 31, 2012 December 31, 2011, respectively, a decrease of $5,778. This decrease was due to the decrease in the net present value of estimated ARO obligations for the project, based on an independent analysis performed by an engineering firm hired by the project.

2011 vs. 2010

Total assets were $558,154 and $568,744 as of December 31, 2011 and December 31 2010, respectively, a decrease of $10,590. The decrease in 2011 total assets is due primarily to a decrease in cash and an increase in accumulated depreciation.

Electric plant, net of accumulated depreciation was $227,325 and $251,505 at year-end 2011 and 2010, respectively, a decrease of $24,180. The decrease was primarily the result of a decrease in ARO asset values of $1,213 and an increase in accumulated depreciation of $22,967. The cost associated with the asset retirement obligation included in the cost of electric plant for 2011 was $40,409, versus $41,622 in 2010. ARO obligations for OMEGA JV1 were prepared internally.

Regulatory assets were $62,539 and $57,861 at December 31, 2011 and December 31, 2010, respectively, an increase of $4,678. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses and changes in net position as the corresponding expense is realized.

Current assets were $191,313 and $182,736 at December 31, 2011 and December 31, 2010, respectively, an increase of $8,577. Compared to 2010 levels, cash and temporary investments and accrued interest receivable decreased $16,125, accounts receivable increased $9,317, inventory increased $18,169, and prepaid assets decreased $2,784.

Total net position and liabilities were $558,154 and $568,744 as of December 31, 2011 and December 31, 2010, respectively, a decrease of $10,590.

Total net position was $464,729 and $473,484 at December 31, 2011 and December 31, 2010, respectively, a decrease of $8,755, which resulted from the 2011 net loss. Net investment in capital assets was $227,325 and $251,505 at December 31, 2011 and December 31, 2010, respectively, a decrease of $24,180. This decrease resulted from the decrease in electric plant, net of depreciation. Unrestricted net position was $237,404 and $221,979 at December 31, 2011 and December 31, 2010, respectively, an increase of $15,425.

Current liabilities were $16,448 and $18,618 at December 31, 2011 and December 31, 2010, respectively, a decrease of $2,170. This resulted from a decrease in accounts payable of $2,680 and increases in payables to related parties of $386 and accruals of $124.

Noncurrent liabilities were $76,977 and $76,642 as of December 31, 2011 and December 31, 2010, respectively, an increase of $335. This increase was due to the increase in the net present value of estimated ARO obligations for the project, based on an internal analysis.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2012	2011	2010
Operating revenues	$ 208,132	$ 192,105	$ 150,331
Operating expenses	255,149	207,033	166,627
Operating Loss	(47,017)	(14,928)	(16,296)
Nonoperating revenue			
Investment income	171	403	730
Future recoverable costs	5,543	5,770	2,438
Nonoperating Revenue	5,714	6,173	3,168
Change in Net Position	$ (41,303)	$ (8,755)	$ (13,128)

Operating results

Electric revenues in 2012 were $208,132 versus $192,105 in 2011 which is an increase of $16,027. Electric revenues in 2011 were $192,105 versus $150,331 in 2010 which is an increase of $41,774. Electric rates are set by the Board of Participants based on budgets and are intended to cover budgeted operating expenses, actual fuel expense and debt service, if any.

Operating expenses in 2012 were $255,149 versus $207,033 in 2011 which is an increase of $48,116. The increase in operating expenses in 2012 is due to increases in related party services, fuel, maintenance and professional services, which were partially offset by decreases in utilities and insurance. Operating expenses in 2011 were $207,033 versus $166,627 in 2010 which is an increase of $40,406. The increase in operating expenses in 2011 is due to increases in related party services, fuel, insurance, ARO depreciation expense and professional services, which were partially offset by decreases in maintenance and ARO accretion expense.

Investment income in 2012 was $171 versus $403 in 2011 which is a decrease of $232. Investment income in 2011 was $403 versus $730 in 2010 which is a decrease of $327. Investment income for OMEGA JV1 is interest earned on checking account balances and short term investments.

There were no distributions to participants of OMEGA JV1 in 2012 or 2011.

If you have questions about this report, or need additional financial information, contact management at 614.540.1111 or 1111 Schrock Road – Suite 100, Columbus, OH 43229.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 131,015	$ 126,880
Receivables from participants	8,841	12,094
Accrued interest receivable	-	4
Inventory	36,324	48,002
Prepaid expenses	4,837	4,333
Total Current Assets	181,017	191,313
NON-CURRENT ASSETS		
Electric Plant		
Electric generators	514,031	526,722
Fuel tank	35,000	35,000
Accumulated depreciation	(357,122)	(334,397)
Other Assets		
Board designated funds	71,199	76,977
Regulatory assets	72,340	62,539
Total Non-Current Assets	335,448	366,841
TOTAL ASSETS	$ 516,465	$ 558,154
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 11,245	$ 9,867
Payable to related parties	10,595	6,581
Total Current Liabilities	21,840	16,448
NONCURRENT LIABILITIES		
Asset retirement obligation	71,199	76,977
Total Noncurrent Liabilities	71,199	76,977
Total Liabilities	93,039	93,425
NET POSITION		
Net investment in capital assets	191,909	227,325
Unrestricted	231,517	237,404
Total Net Position	423,426	464,729
TOTAL LIABILITIES AND NET POSITION	$ 516,465	$ 558,154

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Electric revenue	$ 208,132	$ 192,105
OPERATING EXPENSES		
Related party services	112,996	82,905
Depreciation	22,725	22,967
Accretion of asset retirement obligation	2,656	2,640
Fuel	55,852	39,826
Maintenance	24,589	8,695
Utilities	-	9,907
Insurance	22,037	24,797
Professional services	12,717	12,231
Other operating expenses	1,577	3,065
Total Operating Expenses	255,149	207,033
Operating Loss	(47,017)	(14,928)
NON-OPERATING REVENUES		
Investment income	171	403
Future recoverable costs	5,543	5,770
Total Non-Operating Revenues	5,714	6,173
Change in net position	(41,303)	(8,755)
NET POSITION, Beginning of Year	464,729	473,484
NET POSITION, END OF YEAR	$ 423,426	$ 464,729

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 1

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 211,385	$ 182,788
Cash paid to related parties for personnel services	(108,982)	(82,519)
Cash payments to suppliers and related parties for goods and services	(104,224)	(116,462)
Net Cash Used in Operating Activities	(1,817)	(16,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(35,416)
Investments sold and matured	35,415	35,351
Investment income received	175	404
Net Cash Provided by Investing Activities	35,590	339
Net Change in Cash and Cash Equivalents	33,773	(15,854)
CASH AND CASH EQUIVALENTS, Beginning of Year	168,441	184,295
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 202,214	$ 168,441

	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (47,017)	$ (14,928)
Depreciation	22,725	22,967
Accretion of asset retirement obligation	2,656	2,640
Changes in assets and liabilities		
Receivables from participants	3,253	(9,317)
Inventory	11,678	(18,169)
Prepaid expenses	(504)	2,784
Accounts payable and accrued expenses	1,378	(2,556)
Payable to related parties	4,014	386
NET CASH USED IN OPERATING ACTIVITIES	$ (1,817)	$ (16,193)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	$ 131,015	$ 126,880
Board designated funds	71,199	76,977
Less: Noncash equivalents	-	(35,416)
TOTAL CASH AND CASH EQUIVALENTS	$ 202,214	$ 168,441
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	$ 12,691	$ 1,213

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

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.

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

ASSETS, LIABILITIES AND NET POSITION

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition, except that restricted cash accounts, if any, are treated as investments in the statement of cash flows.

OMEGA JV1 has elected to comply with Ohio Revised Code (ORC) section 135.14. Under ORC 135.14, investments are limited to:

1. Deposits at eligible institutions pursuant to ORC section 135.08, 135.09 and 135.18.
2. Bonds or other obligations of the state.
3. Bonds or securities issued or guaranteed by the federal government or its agencies.
4. Bankers acceptances, with certain conditions.
5. The local government investment pool.
6. Commercial paper, with certain conditions.
7. All investments must have an original maturity of 5 years or less.
8. Repurchase agreements with public depositories, with certain conditions.

OMEGA JV1 has adopted an investment policy. That policy follows the state statute for allowable investments and specifies the maximum concentration of investments in each eligible security.

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. Market values may have changed significantly after year end.

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.

Inventory

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

Prepaid Expenses

Prepaid expenses represent costs of insurance paid during the current calendar year for coverage in subsequent years.

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Electric Plant

Electric plant is recorded at cost. Depreciation is provided on the straight-line method from 15 to 30 years, based on the estimated useful lives of the assets. Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged to operations as incurred. When electric plant assets are retired, accumulated depreciation is charged with the cost of the assets plus removal costs, less any salvage value.

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

Asset Retirement Obligations

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

Board Designated Funds

Due to new environmental regulations that may affect the operation of the units, OMEGA JV1's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation.

Regulatory Assets

In accordance with FASB ASC 980-410-25, OMEGA JV1 records regulatory assets (deferred expenses to be recovered in rates in future periods). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. Pursuant to the Agreement, Participants are required to pay all costs related to operations, maintenance and retirement of the jointly owned electric plant.

Regulatory assets consisted of the following at December 31:

	2012	2011
Deferral of expenses related to asset retirement obligations	$ 72,340	$ 62,539

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Net Position

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

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

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

REVENUES AND EXPENSES

OMEGA JV1 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with OMEGA JV1's principal ongoing operations. The principal operating revenues of OMEGA JV1 are charges to participants for energy and capacity. Operating expenses include the cost of generation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Electric revenue is recognized when earned as electric service is delivered. OMEGA JV1's rates for electric power are designed to cover annual operating costs. Rates are set annually by the Board of Participants. Periodically OMEGA JV1 will distribute earnings to its participants based on available operating cash. These distributions are approved by the Board of Participants.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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, since they are not available for use.

	Carrying Value as of December 31,		
	2012	2011	Risks
Checking	$ 202,214	$ 145,786	Custodial credit
Certificate of Deposit	-	35,416	Custodial credit
Government Money Market Mutual Fund	-	22,655	Interest rate, credit
Totals	$ 202,214	$ 203,857	

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2012 and 2011.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV1's deposits may not be returned to it. OMEGA JV1 has custodial credit risk on its cash and temporary investments balance to the extent the balance exceeds the federally insured limit as stated above. OMEGA JV1's investment policy requires that amounts in excess of FDIC limits be collateralized by government securities. As of December 31, 2012 and 2011, there were no deposits or temporary investments exposed to custodial credit risk, as amounts do not exceed FDIC limits.

Credit Risk

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

OMEGA JV1 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV1 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.

As of December 31, 2012 OMEGA JV1 had no investments with credit risk. As of December 31, 2011, OMEGA JV1's investments were rated as follows:

Investment Type	Standard & Poors	Fitch Ratings	Moody's Investors Services
Government Money Market Mutual Fund	AAAm	AAA	Aaa

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV1's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days.

As of December 31, 2012, OMEGA JV1 had no investments with interest rate risk. As of December 31, 2011, OMEGA JV1's investments were as follows:

Investment Type	**Fair Value**	**Weighted Average Maturity (Days)**
Government Money Market Mutual Fund	$ 22,655	36

NOTE 3 – ELECTRIC PLANT

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

	2012			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 526,722	$ -	$ (12,691)	$ 514,031
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	561,722	-	(12,691)	549,031
Less: Accumulated depreciation	(334,397)	(22,725)	-	(357,122)
Electric Plant, Net	$ 227,325	$ (22,725)	$ (12,691)	$ 191,909

	2011			
	Beginning Balance	Additions	Change in Estimate	Ending Balance
Electric generators	$ 527,935	$ -	$ (1,213)	$ 526,722
Fuel tank	35,000	-	-	35,000
Total Electric Plant in Service	562,935	-	(1,213)	561,722
Less: Accumulated depreciation	(311,430)	(22,967)	-	(334,397)
Electric Plant, Net	$ 251,505	$ (22,967)	$ (1,213)	$ 227,325

During 2012 and 2011, OMEGA JV1 recorded an adjustment to electric plant to reflect the revised estimate of the ARO (Note 4).

NOTE 4 – ASSET RETIREMENT OBLIGATIONS

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

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

	2012			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 76,977	$ 2,656	$ (8,434)	$ 71,199

	2011			
	Beginning Balance	Accretion Expense	Change in Estimate	Ending Balance
Asset retirement obligation	$ 76,642	$ 2,640	$ (2,305)	$ 76,977

NOTE 4 – ASSET RETIREMENT OBLIGATIONS (cont.)

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the unit. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful life of each unit. OMEGA JV1 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2012 and 2011.

NOTE 5 – NET POSITION

GASB No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position 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 - The component of net position consist of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is OMEGA JV1's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

	2012	2011
Plant in service	$ 549,031	$ 561,722
Accumulated depreciation	(357,122)	(334,397)
Total Net Investment in Capital Assets	$ 191,909	$ 227,325

NOTE 6 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

On February 17, 2010, the US EPA promulgated the RICE NESHAP Rule establishing emission limits and work practice standards for compression ignited diesel engines at area sources. OMEGA JV1's engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV1 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at $200,000 to $300,000.

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

NOTE 7 – RISK MANAGEMENT

OMEGA JV1 is covered under the insurance policies of AMP and is billed for its proportionate share of the insurance expense. AMP 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. No claims have been filed in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – RELATED PARTY TRANSACTIONS

OMEGA JV1 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV1 had a payable to AMP of $0 and $9 at December 31, 2012 and 2011, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS (cont.)

- As OMEGA JV1's agent, AMP entered into an agreement with Municipal Energy Services Agency ("MESA"), a related joint venture, for MESA to provide certain engineering, finance, administration and other services. The expenses related to these services were $99,284 and $72,450 for the years ended December 31, 2012 and 2011, respectively. OMEGA JV1 had a payable to MESA for $9,611 and $5,484 at December 31, 2012 and 2011, respectively.

- OMEGA JV1 uses the Energy Control Center for dispatching electrical control. OMEGA JV1 had a payable to the Energy Control Center for $984 and $1,088 at December 31, 2012 and 2011, respectively. The expenses related to dispatching electrical control were $13,712 and $10,455 for the years ended December 31, 2012 and 2011, respectively.

- The City of Cuyahoga Falls, Ohio, agreed to provide a suitable site for the generating facilities, and OMEGA JV1 agreed to lease such site for the period of the Agreement plus one year, for the sum of one dollar. OMEGA JV1 incurred expenses of $0 and $9,907 for the years ended December 31, 2012 and 2011, respectively, for utilities provided by Cuyahoga Falls to the site. Cuyahoga Falls also has agreed to perform operational tasks and routine maintenance on the generating facilities at no charge to OMEGA JV1 in exchange for the availability of the electric generation project to Cuyahoga Falls for electric system emergency backup.

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*

INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 1:

We have audited, in accordance with the 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, the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 1 ("OMEGA JV1"), which comprise the statement of net position as of December 31, 2012 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OMEGA JV1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMEGA JV1's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV1's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMEGA JV1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 17, 2013

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURES 1, 2 ,4, 5 ,6 AND MUNICIPAL ENERGY SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 11, 2013