



**OHIO MUNICIPAL ELECTRIC GENERATION
AGENCY JOINT VENTURE 2**

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2012 and 2011





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

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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 2:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2"), 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 2 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 – 7 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 JV2'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 JV2's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 17, 2013

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

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 2 ("OMEGA JV2") 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 JV2 prepares their basic financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. OMEGA JV2's basic financial statements include the 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 JV2 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, investing and capital and related financing activities.

Financial Highlights

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

Condensed Statements of Net Position

	2012	2011	2010
Assets			
Electric Plant & Equipment, net of accumulated depreciation	\$ 23,293,330	\$ 26,526,010	\$ 28,802,481
Regulatory assets	1,359,567	1,276,791	1,179,351
Restricted assets	896,449	521,585	866,058
Board Designated Funds	1,420,860	1,859,701	1,851,614
Current assets	1,606,371	1,498,958	1,615,258
Total Assets	\$ 28,576,577	\$ 31,683,045	\$ 34,314,762
Net Position and Liabilities			
Net investment in capital assets	\$ 23,293,330	\$ 26,526,010	\$ 28,802,481
Net position - restricted	896,449	521,585	866,058
Net position - unrestricted	1,993,467	2,151,179	2,308,387
Total net position	26,183,246	29,198,774	31,976,926
Current liabilities	597,225	269,990	156,117
Noncurrent liabilities	1,796,106	2,214,281	2,181,719
Total Net Position and Liabilities	\$ 28,576,577	\$ 31,683,045	\$ 34,314,762

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

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

2012 vs. 2011

Total assets were \$28,576,577 and \$31,683,045 on December 31, 2012 and December 31, 2011, respectively, a decrease of \$3,106,468. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation.

Electric plant and equipment, net of accumulated depreciation was \$23,293,330 and \$26,526,010 at year-end 2012 and 2011, respectively, a decrease of \$3,232,680. This decrease was the result of a \$656,366 decrease in utility assets and a \$2,868,554 increase in accumulated depreciation offset, in part by a decrease of \$473,860 in the estimated value of Asset Retirement Obligation (ARO) assets and an increase in CIP assets of \$766,100. The cost associated with the ARO included in the cost of electric plant for 2012 was \$806,722 versus \$1,280,582 in 2011. Estimated values of ARO obligations were prepared by an independent engineering consultant.

Regulatory assets were \$1,359,567 and \$1,276,791 at December 31, 2012 and 2011, respectively, an increase of \$82,776. 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.

Restricted assets totaled \$896,449 and \$521,585 at December 31, 2012 and December 31, 2011, respectively. This was an increase of \$374,864 and was the result of increases in cash collected from generation revenues to cover future overhaul expenses of \$375,246.

Current assets were \$1,606,371 and \$1,498,958 as of December 31, 2012 and 2011, respectively, an increase of \$107,413. In 2012, cash and temporary investments and accrued interest receivable increased \$107,413, accounts receivable decreased \$47,199, inventories decreased \$83,758 and prepaid expenses increased \$111,503 versus 2011 levels.

Total liabilities and net position were \$28,576,577 and \$31,683,045 as of December 31, 2012 and December 31, 2011, respectively, a decrease of \$3,106,468. This decrease was primarily the result of current period losses.

Total net position was \$26,183,246 and \$29,198,774 as of December 31, 2012 and December 31, 2011, respectively, a decrease of \$3,015,528. Net investment in capital assets was \$23,293,330 and \$26,526,010 at December 31, 2012 and December 31, 2011, respectively, a decrease of \$3,232,680. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net position was \$896,449 and \$521,585 at December 31, 2012 and December 31, 2011, respectively, an increase of \$374,864, reflecting the increase in cash-restricted overhaul and short term trust investments. Unrestricted net position was \$1,993,467 and \$2,151,179 at December 31, 2012 and December 31, 2011, respectively, a decrease of \$157,712.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

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

Noncurrent liabilities were \$1,796,106 and \$2,214,281 at December 31, 2012 and December 31, 2011, respectively, a decrease of \$418,175. This was primarily a result of the \$438,841 decrease in estimated ARO and an increase in regulatory liabilities of \$20,666 versus 2011 levels. AROs were estimated to be \$1,420,860 and \$1,859,701 at year end 2012 and 2011, respectively.

Current liabilities were \$597,225 and \$269,989 as of December 31, 2012 and December 31, 2011, respectively, an increase of \$327,235. This increase was primarily the result of increased accounts payable obligations to third party vendors.

2011 vs. 2010

Total assets were \$31,683,045 and \$34,314,762 on December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,717. The decrease in total assets was due primarily to a decrease in net capital assets due to depreciation.

Electric plant and equipment, net of accumulated depreciation was \$26,526,010 and \$28,802,481 at year-end 2011 and 2010, respectively, a decrease of \$2,276,471. This decrease was the result of a \$2,894,419 increase in accumulated depreciation and a decrease of \$38,418 in the estimated value of Asset Retirement Obligation (ARO) assets offset, in part, by an increase in utility assets of \$656,366. The cost associated with the ARO included in the cost of electric plant for 2011 was \$1,280,582 versus \$1,319,000 in 2010. Estimated values of ARO obligations were prepared internally.

Regulatory assets were \$1,276,791 and \$1,179,351 at December 31, 2011 and 2010, respectively, an increase of \$97,440. Regulatory assets contain amounts deferred for ARO expenses. These deferred amounts are recorded in the statements of revenues, expenses, and changes in net assets as the corresponding expense is realized.

Restricted assets totaled \$521,585 and \$866,058 at December 31, 2011 and December 31, 2010, respectively. This was a decrease of \$344,473 and was the result of decreases in cash collected from generation revenues to cover future overhaul expenses of \$329,723 and earnings on trust investments of \$14,750.

Current assets were \$1,498,958 and \$1,615,258 as of December 31, 2011 and 2010, respectively, a decrease of \$116,300. In 2011, cash and temporary investments and accrued interest receivable decreased \$190,389, accounts receivable increased \$160,382, inventories decreased \$46,314 and prepaid expenses decreased \$40,056 versus 2010 levels.

Total liabilities and net position was \$31,683,045 and \$34,314,762 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,717. This decrease was primarily the result of current period losses.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

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

Total net position was \$29,198,774 and \$31,976,926 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,778,152. Net investment in capital assets was \$26,526,010 and \$28,802,481 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,276,471. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net position was \$521,585 and \$866,058 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$344,473, reflecting the decrease in cash-restricted overhaul and short term trust investments. Unrestricted net position was \$2,151,179 and \$2,308,387 at December 31, 2011 and December 31, 2010, respectively, a decrease of \$157,208.

Noncurrent liabilities were \$2,214,281 and \$2,181,719 at December 31, 2011 and December 31, 2010, respectively, an increase of \$32,562. This was primarily a result of the \$8,087 increase in estimated ARO and an increase in regulatory liabilities of \$24,475 versus 2010 levels. AROs were estimated to be \$1,859,701 and \$1,851,614 at year end 2011 and 2010, respectively.

Current liabilities were \$269,989 and \$156,117 as of December 31, 2011 and December 31, 2010, respectively, an increase of \$113,872. This increase was primarily the result of increased accounts payable obligations to third party vendors offset, in part, by decreased accruals.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2012	2011	2010
Operating revenues	\$ 2,453,869	\$ 2,305,361	\$ 1,806,083
Operating expenses	<u>5,903,966</u>	<u>5,201,771</u>	<u>4,412,607</u>
Operating Loss	<u>\$ (3,450,097)</u>	<u>\$ (2,896,410)</u>	<u>\$ (2,606,524)</u>
Nonoperating revenue			
Investment income	\$ 2,972	\$ 3,459	\$ 9,844
Gain on insurance proceeds	319,680	-	-
Future recoverable costs	<u>111,917</u>	<u>114,799</u>	<u>91,763</u>
Non operating revenue	<u>434,569</u>	<u>118,258</u>	<u>101,607</u>
Loss before distributions	(3,015,528)	(2,778,152)	(2,504,917)
Contributions from participants	<u>-</u>	<u>-</u>	<u>1,460</u>
Change in Net Position	<u>\$ (3,015,528)</u>	<u>\$ (2,778,152)</u>	<u>\$ (2,503,457)</u>

OMEGA JV2's rates are set by the Board of Participants and are intended to cover budgeted operating expenses plus actual fuel expense. OMEGA JV2 revenues do not include any bond

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

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

payments by OMEGA JV2 financing members in their rates. Financing participants make these payments directly to AMP.

Electric revenues in 2012 were \$2,453,869 versus \$2,305,361 in 2011, an increase of \$148,508. Electric revenues in 2011 were \$2,305,361 versus \$1,806,083 in 2010, an increase of \$499,278.

OMEGA JV2 operating expenses in 2012 were \$5,903,966 versus \$5,201,771 in 2011, an increase of \$702,195. This increase in expenses was due to an increase in maintenance expense of \$628,474, a \$29,233 increase in professional services, a \$140,174 increase in MESA services and a \$47,748 increase in insurance offset, in part, by a \$9,550 decrease in fuel, an \$82,067 decrease in utilities and a \$14,750 decrease in banking fees. OMEGA JV2 operating expenses in 2011 were \$5,201,771 versus \$4,412,607 in 2010, an increase of \$789,164. This increase in expenses was due to a \$498,309 increase in fuel, a \$91,720 increase in utilities, a \$113,166 increase in maintenance, a \$90,138 increase in MESA services and a \$29,733 increase in insurance offset, in part, by a \$16,685 decrease in transmission and a \$54,635 decrease in professional services.

Investment income in OMEGA JV2 in 2012 was \$2,972 versus \$3,459 in 2011, a decrease of \$487. Investment income in OMEGA JV2 in 2011 was \$3,459 versus \$9,844 in 2010, a decrease of \$6,385. Investment income is earned on funds held by trustee as a requirement of the bond obligation for benefit of the OMEGA JV2 financing members. These funds were invested in short-term government backed securities, short-term commercial paper or within the trust agency's money market account.

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 2**

STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 949,667	\$ 822,795
Receivables from participants	167,116	214,315
Accrued interest receivable	-	5
Inventory	308,468	392,226
Prepaid expenses	181,120	69,617
Total Current Assets	1,606,371	1,498,958
NONCURRENT ASSETS		
Restricted Assets		
Restricted Cash	521,203	521,203
Overhaul fund	375,246	382
Other Assets		
Board designated funds	1,420,860	1,859,701
Regulatory assets	1,359,567	1,276,791
Electric Plant and Equipment		
Electric generators	57,453,782	58,584,008
Construction work in progress	766,100	-
Accumulated depreciation	(34,926,552)	(32,057,998)
Total Non-Current Assets	26,970,206	30,184,087
TOTAL ASSETS	\$ 28,576,577	\$ 31,683,045
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 515,654	\$ 216,296
Payable to related parties	81,571	53,694
Total Current Liabilities	597,225	269,990
NONCURRENT LIABILITIES		
Regulatory liabilities	375,246	354,580
Asset retirement obligations	1,420,860	1,859,701
Total Noncurrent Liabilities	1,796,106	2,214,281
Total Liabilities	2,393,331	2,484,271
NET POSITION		
Net Investment in capital assets	23,293,330	26,526,010
Restricted	896,449	521,585
Unrestricted	1,993,467	2,151,179
Total Net Position	26,183,246	29,198,774
TOTAL LIABILITIES AND NET POSITION	\$ 28,576,577	\$ 31,683,045

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

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

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Electric revenue	\$ 2,453,869	\$ 2,305,361
OPERATING EXPENSES		
Related party services	846,987	706,813
Depreciation	2,868,554	2,894,419
Accretion of asset retirement obligation	64,160	63,864
Fuel	557,252	566,802
Maintenance	445,757	473,649
Utilities	128,980	211,047
Insurance	274,981	227,233
Professional services	44,696	15,463
Other operating expenses	<u>16,233</u>	<u>42,481</u>
Total Operating Expenses	<u>5,247,600</u>	<u>5,201,771</u>
Operating Loss	<u>(2,793,731)</u>	<u>(2,896,410)</u>
NONOPERATING REVENUES		
Investment income	2,972	3,459
Loss on disposal of capital assets	(336,686)	-
Future recoverable costs	<u>111,917</u>	<u>114,799</u>
Total Non-Operating Revenues	<u>(221,797)</u>	<u>118,258</u>
Change in net position	(3,015,528)	(2,778,152)
NET POSITION, Beginning of Year	<u>29,198,774</u>	<u>31,976,926</u>
NET POSITION, END OF YEAR	<u>\$ 26,183,246</u>	<u>\$ 29,198,774</u>

See accompanying notes to financial statements.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 2,501,068	\$ 2,144,902
Cash paid to related parties for personnel services	(819,110)	(726,682)
Cash payments to suppliers and related parties for goods and services	(1,175,620)	(1,292,088)
Net Cash Provided by Operating Activities	506,338	126,132
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(766,100)	(656,366)
Proceeds from insurance	319,680	-
Net Cash Used by Capital and Related Financing Activities	(446,420)	(656,366)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to overhaul fund	(374,864)	329,723
Funds held by trustee	-	535,953
Investments purchased	-	(50,000)
Transfer to restricted cash	-	(521,203)
Investments sold and matured	50,000	530,262
Investment income received	2,977	3,535
Net Cash Provided by (Used in) Investing Activities	(321,887)	828,270
 Net Change in Cash and Cash Equivalents	(261,969)	298,036
 CASH AND CASH EQUIVALENTS, Beginning of Year	2,632,496	2,334,460
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,370,527	\$ 2,632,496

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,793,731)	\$ (2,896,410)
Depreciation	2,868,554	2,894,419
Accretion of asset retirement obligation	64,160	63,864
Changes in assets and liabilities		
Receivables from participants	47,199	(160,459)
Inventory	83,758	46,314
Prepaid expenses	(111,503)	40,057
Accounts payable and accrued expenses	299,358	132,518
Payable to related parties	27,877	(18,646)
Regulatory liability	20,666	24,475
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 506,338</u>	<u>\$ 126,132</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and temporary investments	\$ 949,667	\$ 822,795
Restricted	521,203	521,203
Overhaul fund	375,246	382
Board designated funds	<u>1,420,860</u>	<u>1,859,701</u>
Total Cash Accounts	<u>3,266,976</u>	<u>3,204,081</u>
Less: Non-cash equivalents		
Temporary investments	-	(50,000)
Restricted	(521,203)	(521,203)
Overhaul fund	<u>(375,246)</u>	<u>(382)</u>
Total Non-cash equivalents	<u>(896,449)</u>	<u>(571,585)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,370,527</u>	<u>\$ 2,632,496</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	<u>\$ (473,860)</u>	<u>\$ (38,418)</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Deposits and Investments (cont.)

OMEGA JV2 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 JV2 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. Gains and losses on investment transactions are determined on a specific identification basis. 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 used to operate the Project 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.

Prepaid Expenses

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

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Electric Plant and Equipment

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

Electric plant assets are assessed for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset may have significantly and unexpectedly declined. If it is determined that 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 JV2 records, at fair value, legal obligations associated with the retirement or removal of long-lived assets at the time the obligations are incurred and can be reasonably estimated. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the difference between the accrued liability and the amount to settle the liability is recorded as a settlement gain or loss.

Board Designated Funds

Due to new environmental regulations that may affect the operation of the units, OMEGA JV2's Board of Participants designated funds from existing operating cash for the current value of the asset retirement obligation.

Regulatory Assets and Liabilities

OMEGA JV2 records regulatory assets (deferred expenses to be recovered in rates in future periods). Regulatory assets include the deferral of depreciation expense and accretion expense associated with asset retirement obligations not yet recovered through billings to Participants. As interest is accreted related to the asset retirement obligation and depreciation is expensed related to the capitalized cost, future recoverable costs are recognized to match revenues with the related costs in future periods. 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:

	<u>2012</u>	<u>2011</u>
Deferral of expenses related to asset retirement obligations	<u>\$ 1,359,567</u>	<u>\$ 1,276,791</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Regulatory Assets and Liabilities (cont.)

Regulatory liabilities consist of deferred revenue related to amounts prepaid by the Participants for major repairs and maintenance and are recorded as income when the related expenditure occurs.

Net Position

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

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
Hamilton	32,000	23.87%
Bowling Green	19,198	14.32
Niles	15,400	11.48
Cuyahoga Falls	10,000	7.46
Wadsworth	7,784	5.81
Painesville	7,000	5.22
Dover	7,000	5.22
Galion	5,753	4.29
Amherst	5,000	3.73
St. Mary's	4,000	2.98
Montpelier	4,000	2.98
Shelby	2,536	1.89
Versailles	1,660	1.24
Edgerton	1,460	1.09
Yellow Springs	1,408	1.05
Oberlin	1,217	0.91
Pioneer	1,158	0.86
Seville	1,066	0.80
Grafton	1,056	0.79
Brewster	1,000	0.75
Monroeville	764	0.57
Milan	737	0.55
Oak Harbor	737	0.55
Elmore	364	0.27
Jackson Center	300	0.22
Napoleon	264	0.20
Lodi	218	0.16
Genoa	199	0.15
Pemberville	197	0.15
Lucas	161	0.12

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Net Position (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
South Vienna	123	0.09%
Bradner	119	0.09
Woodville	81	0.06
Haskins	73	0.05
Arcanum	44	0.03
Custar	4	0.00*
Totals	134,081	100.00%
Reserves	4,569	
kW Capacity of the Project	138,650	

* Represents less than 0.01%

REVENUE AND EXPENSES

OMEGA JV2 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 the OMEGA JV2's principal ongoing operations. The principal operating revenues of OMEGA JV2 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 service is delivered. OMEGA JV2's rates for electric power are designed to cover annual operating costs, excluding depreciation. Rates are set annually by the Board of Participants.

Rates for electric service pursuant to contracts with the Participants are not designed to recover contributed capital used to acquire the electric plant generators. Rates charged to OMEGA JV2 financing participants for debt service are paid to AMP to retire the Project financing obligations (Note 10). Accordingly, OMEGA JV2 will generate negative operating margins during the operating life of the electric generators.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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		Risks
	2012	2011	
Checking	\$ 3,266,976	\$ 3,132,060	Custodial credit
Certificates of Deposits	-	50,000	Custodial credit
Government Money Market Mutual Fund	-	22,021	Credit and interest rate
 Totals	 \$ 3,266,976	 \$ 3,204,081	

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, OMEGA JV2's deposits may not be returned to it. OMEGA JV2 has custodial credit risk on its cash and temporary investments balances to the extent the balances exceed the federally insured limit. OMEGA JV2'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 exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. OMEGA JV2 invests in instruments approved under the entity's investment policy. The Board of Participants has authorized OMEGA JV2 to invest in funds in accordance with the ORC. 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 JV2 had no investments with credit risk.

As of December 31, 2011, OMEGA JV2's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investors Services</u>	<u>Standard & Poors</u>
Government Money Market Mutual Fund	Aaa	AAAm

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. OMEGA JV2's investment policy limits the maturity of commercial paper and bankers acceptances to 180 days. As of December 31, 2012, OMEGA JV2 had no investments with interest rate risk.

As of December 31, 2011, OMEGA JV2's investments were as follows:

Investment	Weighted Average Maturity (Days)	Fair Value
Government Money	36	\$ 22,021
Market Mutual Fund		\$ 22,021
		\$ 22,021

NOTE 3 – RESTRICTED ASSETS

Restricted assets include those assets comprising the Reserve and Contingency Fund and the Overhaul Fund, which are established and maintained pursuant to the Agreement.

The Agreement requires OMEGA JV2 to maintain a minimum funding in the Reserve and Contingency Fund of \$225,000. This amount was collected from the Participants in January 2001.

Of this amount, \$176,355 was collected from OMEGA JV2 participants who financed their capital contribution by participating in the bond issue. The fund is held by the bond trustee. In accordance with the trust indenture related to the bonds issued on behalf of OMEGA JV2 financing participants, amounts collected from financing participants may be used in the event of nonpayment of bond debt service.

Under the terms of the Agreement, if the balance of the fund is less than the required minimum, then AMP shall direct OMEGA JV2 to increase billings to financing participants such that the deficiency in the balance is funded within twelve months.

The Agreement requires OMEGA JV2 to maintain the Overhaul Fund for periodic overhauls of the electric generation and related facilities.

Restricted Net Position

The following calculation supports the amount of OMEGA JV2 restricted net position:

	2012	2011
Restricted Assets		
Reserve and Contingency Fund	\$ 521,203	\$ 521,203
Overhaul Fund	375,246	382
Total Restricted Assets	\$ 896,449	\$ 521,585

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	2012				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	\$ 58,584,008	\$ -	\$ (656,366)	\$(473,860)	\$ 57,453,782
Construction Work-in-Progress	-	766,100	-	-	766,100
	58,584,008	766,100	(656,366)	(473,860)	58,219,882
Total Electric Equipment and Construction Work-in-progress	58,584,008	766,100	(656,366)	(473,860)	58,219,882
Less: Accumulated depreciation	(32,057,998)	(2,868,554)	-	-	(34,926,552)
Electric Plant and Equipment, Net	\$ 26,526,010	\$ (2,102,454)	\$ (656,366)	\$ (473,860)	\$ 23,293,330
	2011				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	\$ 57,966,060	\$ 656,366	\$ -	\$ (38,418)	\$ 58,584,008
Less: Accumulated depreciation	(29,163,579)	(2,894,419)	-	-	(32,057,998)
Electric Plant and Equipment, Net	\$ 28,802,481	\$ (2,238,053)	\$ -	\$ (38,418)	\$ 26,526,010

During 2012 and 2011, OMEGA JV2 recorded an adjustment to electric plant and equipment to reflect the revised estimate of the ARO (Note 5).

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 – ASSET RETIREMENT OBLIGATIONS

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

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

	2012			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	\$ 1,859,701	\$ (503,001)	\$ 64,160	\$ 1,420,860
	2011			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	\$ 1,851,614	\$ (55,777)	\$ 63,864	\$ 1,859,701

Asset retirement obligations are determined based on detailed cost estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated using an inflation factor to the estimated removal dates, and then discounted using a credit adjusted risk-free interest rate. The removal date for each unit was determined based on the estimated life of the units. The accretion of the liability and amortization of the property and equipment will be recognized over the estimated useful lives of each unit. OMEGA JV2 updated its estimate of its asset retirement obligation based on an updated legal and technical study performed during 2012 and 2011.

NOTE 6 – 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.

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
JOINT VENTURE 2**

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 – NET POSITION (cont.)

Unrestricted net position - The component 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 JV2'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
Electric Plant and Equipment Assets (Including CWIP)	\$ 57,413,160	\$ 57,303,426
Asset Retirement Obligation	806,722	1,280,582
Accumulated Depreciation	(34,926,552)	(32,057,998)
Total Net Investment in Capital Assets	\$ 23,293,330	\$ 26,526,010

NOTE 7 – COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

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

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 JV2's engines are affected by this rule and compliance must be demonstrated by May 2013. OMEGA JV2 is evaluating its compliance options and assessing the impact on the project. Total costs are estimated at \$100,000 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, nitrogen oxides and particulate matter. In addition to emissions reductions required to achieve local compliance, additional reductions may be required to achieve compliance in down-wind, neighboring states. Butler (Hamilton) and Medina (Seville) counties are non-attainment areas for fine particulate matter; therefore, the Ohio Environmental Protection Agency may restrict the hours of operations or require additional pollution control equipment for the portions of the Project in these areas.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 8 – RISK MANAGEMENT

OMEGA JV2 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. There were no significant reductions in coverage compared to the prior year.

NOTE 9 – RELATED PARTY TRANSACTIONS

OMEGA JV2 has entered into the following agreements:

- Pursuant to the Agreement, AMP was designated as an agent and provides various management and operational services. OMEGA JV2 incurred expenses related to these services in the amount of \$214,324 and \$172,383 for the years ended December 31, 2012 and 2011, respectively, and had a payable due to AMP of \$20,080 and \$20,112 at December 31, 2012 and 2011, respectively, for these services.
- As OMEGA JV2'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 \$632,663 and \$534,429 for the years ended December 31, 2012 and 2011, respectively. OMEGA JV2 had a payable to MESA for \$61,491 and \$33,582 at December 31, 2012 and 2011, respectively.
- Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of \$128,980 and \$211,047 for these services for the years ended December 31, 2012 and 2011, respectively.

NOTE 10 – ACQUISITION OF THE PROJECT

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

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

The OMEGA JV2 Bonds were not issued by OMEGA JV2 and the financing participants make debt service payments directly to AMP. Therefore, the OMEGA JV2 Bonds are not recorded in the financial statements of OMEGA JV2.

On January 1, 2011 the OMEGA JV2 Bonds were called and redeemed in full.

**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 2:

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 2 ("OMEGA JV2"), 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 JV2'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 JV2's internal control. Accordingly, we do not express an opinion on the effectiveness of OMEGA JV2'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 JV2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Dave Yost • Auditor of State

**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**