



OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2:

We have audited the accompanying statement of net assets of Ohio Municipal Electric Generation Agency Joint Venture 2 ("OMEGA JV2") as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the OMEGA JV2's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of OMEGA JV2 as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Municipal Electric Generation Agency Joint Venture 2 as of December 31, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2012 on our consideration of the Ohio Municipal Electric Generation Agency Joint Venture 2'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011, 2010 and 2009
(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, 2011 and 2010. 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 assets; the statements of revenues, expenses and changes in net assets; and the statements of cash flows.

The statements of net assets 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 assets 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 Assets

	2011	2010	2009
Assets			
Electric Plant & Equipment, net of accumulated depreciation	\$ 26,526,010	\$ 28,802,481	\$ 31,181,426
Regulatory assets	1,276,791	1,179,351	1,291,634
Restricted assets	521,585	866,058	852,562
Board Designated Funds	1,859,701	1,851,614	-
Current assets	1,498,957	1,615,258	3,227,736
Total Assets	\$ 31,683,044	\$ 34,314,762	\$ 36,553,358
Net Assets and Liabilities			
Net assets - invested in capital assets	\$ 26,526,010	\$ 28,802,481	\$ 31,181,426
Net assets - restricted	521,585	866,058	852,562
Net assets - unrestricted	2,151,179	2,308,387	2,446,395
Total net assets	29,198,774	31,976,926	34,480,383
Current liabilities	269,989	156,117	251,204
Noncurrent liabilities	2,214,281	2,181,719	1,821,771
Total Net Assets and Liabilities	\$ 31,683,044	\$ 34,314,762	\$ 36,553,358

See accompanying notes to financial statements.

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(Unaudited)

2011 vs. 2010

Total assets were \$31,683,044 and \$34,314,762 on December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,718. 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 \$1,498,957 and \$1,615,258 as of December 31, 2011 and 2010, respectively, a decrease of \$116,301. 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 assets were \$31,683,044 and \$34,314,762 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,631,718. This decrease was primarily the result of current period losses of \$2,778,152.

Total net assets were \$29,198,774 and \$31,976,926 as of December 31, 2011 and December 31, 2010, respectively, a decrease of \$2,778,152. Net assets – invested in capital assets were \$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 assets were \$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 assets were \$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

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011, 2010 and 2009 (Unaudited)

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.

2010 vs. 2009

Total assets were \$34,314,762 and \$36,553,358 on December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,238,596. 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 \$28,802,481 and \$31,181,426 at year-end 2010 and 2009, respectively, a decrease of \$2,378,945. This decrease was the result of a \$2,858,827 increase in accumulated depreciation offset, in part, by an increase of \$479,882 in the estimated value of ARO assets. The cost associated with the ARO included in the cost of electric plant for 2010 was \$1,319,000 versus \$839,118 in 2009. Estimated values of ARO obligations were prepared by independent engineering consultants. These projections increased substantially over prior year estimates due to higher projected cleanup and restoration expenses. The net present value of these obligations increased further as a result of decreased interest rates at year-end 2010 versus 2009.

Regulatory assets were \$1,179,351 and \$1,291,634 at December 31, 2010 and 2009, respectively, a decrease of \$112,283. 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 \$866,058 and \$852,562 at December 31, 2010 and December 31, 2009, respectively. This was an increase of \$13,496 and was the result of increases in cash collected from generation revenues to cover future overhaul expenses of \$11,587 and earnings on trust investments of \$1,909.

Current assets were \$1,615,258 and \$3,227,736 as of December 31, 2010 and 2009, respectively, a decrease of \$1,612,478. In 2010, cash and temporary investments decreased \$1,552,646 primarily due to the establishment of an asset retirement maintenance reserve of \$1,851,614 in 2010. Accounts receivable decreased \$91,296, inventories decreased \$1,890 and prepaid expenses increased \$33,354 versus 2009 levels.

Total liabilities and net assets were \$34,314,762 and \$36,553,358 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,238,596. This decrease was primarily the

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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result of current period losses of \$2,503,457 offset, in part, by a \$348,361 increase in estimated ARO liabilities.

Total net assets were \$31,976,926 and \$34,480,383 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,503,457. Net assets – invested in capital assets were \$28,802,481 and \$31,181,426 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$2,378,945. This decrease resulted from the decrease in electric plant, net of accumulated depreciation. Restricted net assets were \$866,058 and \$852,562 at December 31, 2010 and December 31, 2009, respectively, an increase of \$13,496, reflecting the increase in Cash-Restricted Overhaul and Short Term Trust Investments. Unrestricted net assets were \$2,308,387 and \$2,446,395 at December 31, 2010 and December 31, 2009, respectively, a decrease of \$138,008.

Noncurrent liabilities were \$2,181,719 and \$1,821,771 at December 31, 2010 and December 31, 2009, respectively, an increase of \$359,948. This was primarily a result of the \$348,361 increase in estimated ARO liabilities versus 2009 levels. AROs were estimated to be \$1,851,614 and \$1,503,253 at year end 2010 and 2009, respectively.

Current liabilities were \$156,117 and \$251,204 as of December 31, 2010 and December 31, 2009, respectively, a decrease of \$95,087. This decrease was primarily the result of reduced accounts payable obligations to third party vendors.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2011	2010	2009
Operating revenues	\$ 2,305,361	\$ 1,806,083	\$ 1,810,228
Operating expenses	<u>5,201,771</u>	<u>4,412,607</u>	<u>4,480,555</u>
Operating Loss	<u>\$ (2,896,410)</u>	<u>\$ (2,606,524)</u>	<u>\$ (2,670,327)</u>
Nonoperating revenue			
Investment income	\$ 3,459	\$ 9,844	\$ 9,399
Future recoverable costs	<u>114,799</u>	<u>91,763</u>	<u>238,949</u>
Non operating revenue	<u>118,258</u>	<u>101,607</u>	<u>248,348</u>
Loss before distributions	(2,778,152)	(2,504,917)	(2,421,979)
Contributions from participants	<u>-</u>	<u>1,460</u>	<u>-</u>
Change in Net Assets	<u>\$ (2,778,152)</u>	<u>\$ (2,503,457)</u>	<u>\$ (2,421,979)</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 payments by OMEGA JV2 financing members in their rates. Financing participants make these payments directly to AMP.

See accompanying notes to financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Electric revenues in 2011 were \$2,305,361 versus \$1,806,083 in 2010, an increase of \$499,278. Electric revenues in 2010 were \$1,806,083 versus \$1,810,228 in 2009, a decrease of \$4,145.

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. OMEGA JV2 operating expenses in 2010 were \$4,412,607 versus \$4,480,555 in 2009, a decrease of \$67,948. This decrease in expenses was due primarily to a \$8,969 decrease in fuel, a \$109,437 decrease in non-cash depreciation expense and a \$37,750 decrease in non-cash ARO accretion expense offset, in part, by a \$4,948 increase in professional services and a \$89,358 increase in MESA services.

Investment income in OMEGA JV2 in 2011 was \$3,459 versus \$9,844 in 2010, a decrease of \$6,385. Investment income in OMEGA JV2 in 2010 was \$9,844 versus \$9,399 in 2009, an increase of \$445. 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 ASSETS
December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and temporary investments	\$ 822,795	\$ 1,013,108
Receivables from participants	214,315	53,856
Accrued interest receivable	5	81
Inventory	392,226	438,540
Prepaid expenses	69,617	109,673
Total Current Assets	1,498,957	1,615,258
NONCURRENT ASSETS		
Restricted Assets		
Funds held by trustee - reserve and contingency fund	521,203	535,953
Overhaul fund	382	330,105
Other Assets		
Board designated funds	1,859,701	1,851,614
Regulatory assets	1,276,791	1,179,351
Electric Plant and Equipment		
Electric generators	58,584,008	57,966,060
Accumulated depreciation	(32,057,998)	(29,163,579)
Total Non-Current Assets	30,184,087	32,699,504
TOTAL ASSETS	\$ 31,683,044	\$ 34,314,762
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 216,295	\$ 83,777
Payable to related parties	53,694	72,340
Total Current Liabilities	269,989	156,117
NONCURRENT LIABILITIES		
Regulatory liabilities	354,580	330,105
Asset retirement obligations	1,859,701	1,851,614
Total Noncurrent Liabilities	2,214,281	2,181,719
Total Liabilities	2,484,270	2,337,836
NET ASSETS		
Invested in capital assets	26,526,010	28,802,481
Restricted	521,585	866,058
Unrestricted	2,151,179	2,308,387
Total Net Assets	29,198,774	31,976,926
TOTAL LIABILITIES AND NET ASSETS	\$ 31,683,044	\$ 34,314,762

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Electric revenue	\$ 2,305,361	\$ 1,806,083
OPERATING EXPENSES		
Related party services	706,813	616,675
Depreciation	2,894,419	2,858,827
Accretion of asset retirement obligation	63,864	72,525
Fuel	566,802	68,493
Transmission	-	16,685
Maintenance	473,649	360,483
Utilities	211,047	119,327
Insurance	227,233	197,500
Professional services	15,463	70,098
Other operating expenses	42,481	31,994
Total Operating Expenses	5,201,771	4,412,607
Operating Loss	(2,896,410)	(2,606,524)
NONOPERATING REVENUES		
Investment income	3,459	9,844
Future recoverable costs	114,799	91,763
Total Non-Operating Revenues	118,258	101,607
Loss Before Contributions	(2,778,152)	(2,504,917)
CONTRIBUTIONS FROM PARTICIPANTS	-	1,460
Change in net assets	(2,778,152)	(2,503,457)
NET ASSETS, Beginning of Year	31,976,926	34,480,383
NET ASSETS, END OF YEAR	\$ 29,198,774	\$ 31,976,926

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 2,144,902	\$ 1,908,730
Cash paid to related parties for personnel services	(726,682)	(597,239)
Cash payments to suppliers and related parties for goods and services	<u>(1,292,088)</u>	<u>(1,010,567)</u>
Net Cash Provided by Operating Activities	<u>126,132</u>	<u>300,924</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(656,366)	-
Contributions from participants	<u>-</u>	<u>1,460</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(656,366)</u>	<u>1,460</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit to overhaul fund	329,723	(11,587)
Funds held by trustee	535,953	-
Investments purchased	(50,000)	(532,171)
Transfer to restricted cash	(521,203)	-
Investments sold and matured	530,262	525,000
Investment income received	<u>3,535</u>	<u>10,080</u>
Net Cash Provided by (Used in) Investing Activities	<u>828,270</u>	<u>(8,678)</u>
 Net Change in Cash and Cash Equivalents	 298,036	 293,706
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>2,334,460</u>	 <u>2,040,754</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 2,632,496</u>	 <u>\$ 2,334,460</u>

**OHIO MUNICIPAL ELECTRIC GENERATION AGENCY
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,896,410)	\$ (2,606,524)
Depreciation	2,894,419	2,858,827
Accretion of asset retirement obligation	63,864	72,525
Changes in assets and liabilities		
Receivables from participants	(160,459)	91,060
Inventory	46,314	1,890
Prepaid expenses	40,057	(33,354)
Accounts payable and accrued expenses	132,518	(114,523)
Payable to related parties	(18,646)	19,436
Regulatory liabilities	24,475	11,587
	<u>\$ 126,132</u>	<u>\$ 300,924</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 822,795	\$ 1,013,108
Funds held by trustee - reserve and contingency fund	521,203	535,953
Restricted	521,203	-
Overhaul fund	382	330,105
Board designated funds	<u>1,859,701</u>	<u>1,851,614</u>
Total Cash Accounts	<u>3,725,284</u>	<u>3,730,780</u>
Less: Non-cash equivalents		
Temporary investments	(50,000)	(530,262)
Funds held by Trustee	-	(535,953)
Restricted	(521,203)	-
Overhaul fund	<u>(382)</u>	<u>(330,105)</u>
Total Non-cash equivalents	<u>(571,585)</u>	<u>(1,396,320)</u>
	<u>\$ 3,153,699</u>	<u>\$ 2,334,460</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in cost of plant due to change in estimated asset retirement obligation	<u>\$ (38,418)</u>	<u>\$ 479,882</u>

See accompanying notes to financial statements.

OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in OMEGA JV2’s financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. OMEGA JV2 also has the option of following subsequent private-sector guidance subject to this same limitation. OMEGA JV2 has elected to follow subsequent private-sector guidance.

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 ASSETS

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, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (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 and 3 years for vehicles, 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 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

In accordance with FASB guidance, *Accounting for the Effects of Certain Types of Regulation*, 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>2011</u>	<u>2010</u>
Deferral of expenses related to asset retirement obligations	<u>\$ 1,276,791</u>	<u>\$ 1,179,351</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (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 Assets

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, 2011 and 2010

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Net Assets (cont.)

<u>Municipality</u>	<u>Project kW Entitlement</u>	<u>Percent Project Ownership and Entitlement</u>
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	<u>100.00%</u>
Reserves	<u>4,569</u>	
kW Capacity of the Project	<u><u>138,650</u></u>	

* 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.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial*

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53). Future application of these standards may restate portions of these financial statements.

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		Risks
	December 31		
	2011	2010	
Checking	\$ 3,132,060	\$ 2,642,547	Custodial credit
Certificates of Deposits	50,000	530,262	Custodial credit
Government Money Market Mutual Fund	22,021	557,971	Credit and interest rate
Totals	\$ 3,204,081	\$ 3,730,780	

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, 2011 and 2010.

Custodial Credit Risk

Deposits

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, 2011 and 2010, there were no deposits exposed to custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

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, 2011 and 2010, OMEGA JV2's investments were rated as follows:

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

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, 2011, OMEGA JV2's investments were as follows:

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of December 31, 2010, OMEGA JV2's investments were as follows:

Investment	Weighted Average Maturity (Days)	Fair Value
Government Money Market Mutual Fund	50	\$ 535,953
Government Money Market Mutual Fund	38	22,018
		\$ 557,971

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 Assets

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

	2011	2010
Restricted Assets		
Reserve and Contingency Fund	\$ 521,203	\$ 535,953
Overhaul Fund	382	330,105
Total Restricted Assets	\$ 521,585	\$ 866,058

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 – ELECTRIC PLANT AND EQUIPMENT

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

	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	<u>\$ 28,802,481</u>	<u>\$(2,238,053)</u>	<u>\$ -</u>	<u>\$ (38,418)</u>	<u>\$ 26,526,010</u>
	2010				
	Beginning Balance	Additions	Retirements	Change in Estimate	Ending Balance
Electric generators	\$ 57,486,178	\$ -	\$ -	\$ 479,882	\$ 57,966,060
Vehicles	33,100	-	(33,100)	-	-
Total Electric Plant and Equipment in Service	57,519,278	-	(33,100)	479,882	57,966,060
Less: Accumulated depreciation	(26,337,852)	(2,858,827)	33,100	-	(29,163,579)
Electric Plant and Equipment, Net	<u>\$ 31,181,426</u>	<u>\$ (2,858,827)</u>	<u>\$ -</u>	<u>\$ 479,882</u>	<u>\$ 28,802,481</u>

During 2011 and 2010, 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, 2011 and 2010

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:

	2011			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,851,614</u>	<u>\$ (55,777)</u>	<u>\$ 63,864</u>	<u>\$ 1,859,701</u>
	2010			
	Beginning Balance	Revisions to Estimate	Accretion Expense	Ending Balance
Asset retirement obligation	<u>\$ 1,503,253</u>	<u>\$ 275,836</u>	<u>\$ 72,525</u>	<u>\$ 1,851,614</u>

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 2011 and 2010.

NOTE 6 – NET ASSETS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 – NET ASSETS (cont.)

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

When both restricted and unrestricted resources are available for use, it is OMEGA JV2's policy to use restricted resources first, then unrestricted resources as they are needed.

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

	2011	2010
Electric Plant and Equipment Assets	\$ 57,303,426	\$ 56,647,060
Asset Retirement Obligation	1,280,582	1,319,000
Accumulated Depreciation	(32,057,998)	(29,163,579)
 Total Net Assets Invested in Capital Assets	 \$ 26,526,010	 \$ 28,802,481

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, 2011 and 2010

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. No claims have been filed in the past three years. 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 \$172,383 and \$196,174 for the years ended December 31, 2011 and 2010, respectively, and had a payable due to AMP of \$20,112 and \$24,182 at December 31, 2011 and 2010, 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 \$534,429 and \$420,501 for the years ended December 31, 2011 and 2010, respectively. OMEGA JV2 had a payable to MESA for \$33,582 and \$48,158 at December 31, 2011 and 2010, respectively.
 - Participants with units sited in their communities provide utilities to the generating units. OMEGA JV2 incurred expenses of \$211,047 and \$119,327 for these services for the years ended December 31, 2011 and 2010, 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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 – ACQUISITION OF THE PROJECT (cont.)

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**

To the Board of Participants
Ohio Municipal Electric Generation Agency Joint Venture 2:

We have audited the financial statements of Ohio Municipal Electric Generation Agency Joint Venture 2 (“OMEGA JV2”) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 19, 2012, wherein we noted the financial statements for the year ended December 31, 2010 were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of OMEGA JV2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the OMEGA JV2’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OMEGA JV2’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OMEGA JV2’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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*.

This report is intended solely for the information and use of the Board of Participants, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
April 19, 2012

Ohio Municipal Electric Generation Agency Joint Venture 2
Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 1 – Internal Control Over Financial Reporting

During the prior audit, it was noted that OMEGA JV2 was not able to prepare a complete set of financial statements and had material adjusting journal entries.

Status: *Corrected during 2011.*