

FINANCIAL STATEMENTS
OF
ORGANIZATION OF MISO STATES, INC.
AT
DECEMBER 31, 2007 AND 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Organization of MISO States, Inc.

We have audited the accompanying statements of financial position of the Organization of MISO States, Inc. (a non-profit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 Organization of MISO States, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RYUN, GIVENS, WENTHE & CO., P.L.C.


Certified Public Accountants

May 30, 2008

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash	\$ 166,277	\$ 204,871
Prepaid Expenses	7,534	4,133
Property and Equipment	<u>11,102</u>	<u>13,516</u>
Total Assets	<u>\$ 184,913</u>	<u>\$ 222,520</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts Payable	\$ 14,902	\$ 23,440
Accrued Expense	<u>30,675</u>	<u>24,488</u>
Total Liabilities	<u>\$ 45,577</u>	<u>\$ 47,928</u>
Net Assets:		
Unrestricted Net Assets	<u>\$ 139,336</u>	<u>\$ 174,592</u>
Total Liabilities and Net Assets	<u>\$ 184,913</u>	<u>\$ 222,520</u>

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Revenues, Gains, and Other Support:		
MISO Grant	\$ 360,000	\$ 320,000
Interest Income	2,201	2,738
Credit for Federal Telephone Excise Tax Paid	<u>1,191</u>	<u>0</u>
Total Revenues, Gains, and Other Support	<u>\$ 363,392</u>	<u>\$ 322,738</u>
Expenses:		
Personnel Expenses	\$ 193,203	\$ 184,250
Office Expenses	61,704	46,404
Insurance	6,907	5,866
Professional Fees and Consultants	4,907	2,932
Meetings and Travel	<u>131,927</u>	<u>133,178</u>
Total Expenses	<u>\$ 398,648</u>	<u>\$ 372,630</u>
Change in Net Assets	\$ (35,256)	\$ (49,892)
Net Assets, Beginning of Year	<u>174,592</u>	<u>224,484</u>
Net Assets, End of Year	<u>\$ 139,336</u>	<u>\$ 174,592</u>

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (35,256)	\$ (49,892)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,305	3,762
(Increase) Decrease In:		
Prepaid Expenses	(3,401)	729
Interest Receivable	0	1,806
Increase (Decrease) In:		
Accounts Payable	(8,538)	8,986
Accrued Expense	6,187	8,010
Net Cash Provided (Used) by Operating Activities	\$ (36,703)	\$ (26,599)
Cash Flows from Investing Activities:		
Proceeds From Sales of Certificates of Deposit	\$ 0	\$ 100,000
Purchase of Property and Equipment	(1,891)	(2,332)
Net Cash Provided (Used) by Investing Activities	\$ (1,891)	\$ 97,668
Net Increase (Decrease) in Cash	\$ (38,594)	\$ 71,069
Cash, Beginning of Year	204,871	133,802
Cash, End of Year	\$ 166,277	\$ 204,871

ORGANIZATION OF MISO STATES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Organization of MISO States, Inc. (OMS) is a non-profit, self-governing organization of representatives from each state with regulatory jurisdiction over entities participating in the Midwest Independent Transmission System Operator, Inc. (MISO), a regional transmission organization as defined by the Federal Energy Regulatory Commission (FERC). The purpose of the OMS is to coordinate regulatory oversight among the states, including recommendations to MISO, the MISO Board of Directors, the FERC, other relevant government entities, and state commissions as appropriate.

OMS member states and provinces are Illinois, Indiana, Iowa, Kentucky, Manitoba, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Pennsylvania, South Dakota, and Wisconsin. The Organization has an office located in Des Moines, Iowa.

OMS was incorporated in the State of Indiana on June 11, 2003. OMS is a not-for-profit organization and is exempt from federal income tax under Section 501(C)(4) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, OMS is required to report information regarding its financial position and activities according to three classes of membership equity: unrestricted, temporarily restricted and permanently restricted. OMS has no restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, OMS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

OMS capitalizes all acquisitions of property and equipment in excess of \$500. Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

ORGANIZATION OF MISO STATES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding Agreement

The Midwest Independent Transmission System Operator, Inc. ("Midwest ISO" or "MISO"), will provide administrative funding to the Organization of MISO States, Inc. ("OMS") in connection with implementing the OMS function as it relates to the Midwest ISO. The purpose of the funding agreement is to establish between the OMS and the Midwest ISO a long and productive relationship between the two organizations, working together with all industry participants to create and maintain efficient and reliable wholesale electric markets throughout the Midwest region.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

OMS has funds deposited in certain banks which at times exceed the \$100,000 FDIC insurance provided in these banks. At December 31, 2007 and 2006, the amounts in excess of FDIC insurance totaled \$15,382 and \$50,714, respectively.

OMS receives all of its revenue through a funding agreement with Midwest Independent Transmission System Operation, Inc. Any changes to the funding agreement will have a significant impact on OMS operating revenues.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

	2007	2006
Furniture and Equipment	\$ 7,329	\$ 5,438
Computers	16,964	16,964
Total Property and Equipment	\$ 24,293	\$ 22,402
Less: Accumulated Depreciation	13,191	8,886
Net Property and Equipment	\$ 11,102	\$ 13,516

Depreciation expense was \$4,305 and \$3,762 for the years ended December 31, 2007 and 2006, respectively.

NOTE 4 - RENTALS UNDER OPERATING LEASES

OMS leases office space under an operating lease that expires December 31, 2008. The annual base rent is \$9,470 and is payable in monthly installments. In addition, the lease requires payment for operating expenses, parking, and tenant improvements. Total rent expense during 2007 and 2006 was \$10,915 and \$10,490, respectively. Future minimum rental payment is \$9,470 for 2008.

NOTE 5 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended December 31, 2007 and 2006 are:

	2007	2006
Expenses		
Program Services	\$ 342,831	\$ 316,737
Management and General	55,817	55,893
Total Expenses	\$ 398,648	\$ 372,630

ORGANIZATION OF MISO STATES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

NOTE 6 - RETIREMENT PLAN

The employees of OMS participated in a 403(b)(7) custodial account plan. OMS also has an agreement with each of the employees to provide matching contributions to their retirement plans. The total cost of matching contributions was \$6,400 and \$7,200 for the years ended December 31, 2007 and 2006, respectively.

During 2007 OMS determined that the 403(b)(7) retirement plan does not qualify because OMS is exempt as a 501(c)(4) not-for-profit organization under the Internal Revenue Code. The retirement plan was frozen and OMS has entered the employee plans compliance resolution system with the Internal Revenue Service. On May 15, 2008, OMS received a compliance statement from the Internal Revenue Service accepting the Organization's method for correcting the retirement plan.