

**OHIO WATER
DEVELOPMENT AUTHORITY**

Financial Statements

December 31, 2004

(With Independent Auditor's Report Thereon)



**Auditor of State
Betty Montgomery**

Ohio Water Development Authority

We have reviewed the Independent Auditor's Report of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co. for the audit period January 1, 2004 through December 31, 2004. 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 Water Development Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 13, 2005

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**OHIO WATER
DEVELOPMENT AUTHORITY**

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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Independent Auditor's Report

Ohio Water Development Authority
408 South High Street
Columbus, Ohio 43215

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 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 opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in the financial position and cash flows of only that portion of each major fund of the Authority that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Ohio and the results of the State of Ohio's operations and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of December 31, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 4, during the year ended December 31, 2004, the Authority adopted Governmental Accounting Statement No. 40, "Deposits and Investments Risk Disclosures" which amended the manner in which risk associated with deposits and investments must be disclosed.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual combining schedules for each major fund are presented for additional analysis and are not a required part of the basic financial statements. We subjected the individual combining schedules for each major fund to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
March 18, 2005

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2004

As management of the Ohio Water Development Authority (the Authority), a discretely presented component unit of the State of Ohio, we offer readers of the Authority's financial statements this unaudited narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements, which begin on page 8 of this report.

Financial Highlights

- The Authority's net assets increased during fiscal year 2004 by \$ 154,401,172 or 7.30% .
- During 2004, the Authority's loan receivable balance increased by \$223,711,512 or 8.27% .
- During 2004, the Authority received a rating upgrade on its Fresh Water Series Bonds from "Aa2" to "Aa1" from Moody's.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) combining financial statements, 2) notes to financial statements, and 3) individual schedules of combining statements.

Combining financial statements. The Authority follows proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The *combining financial statements* are designed to provide readers with a broad overview of the Authority's finances by fund and in total. These statements offer short and long-term financial information about its activities.

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2004. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *combining statement of revenues, expenses and changes in fund net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *combining statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement summarizes the net changes in cash resulting from operating, investing and noncapital financing activities.

Each of the combining financial statements highlight programs of the Authority that are principally supported by loan and investment income, programs that are intended to recover all or a significant portion of their costs through program fees or investment earnings on contributed capital (*business-type activities*). The combining financial statements can be found on pages 8-13 of this report.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements and individual schedules of combining statements. The notes to financial statements can be found on pages 14-69 of this report.

Individual schedules of combining statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The individual schedules of combining statements can be found on pages 70-129 of this report.

Financial Analysis of the Authority's Financial Position and Results of Operations

The tables below provide a summary of the Authority's financial position and operations for 2004 and 2003, respectively. The Authority first implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2001; therefore, comparative numbers have been included for analysis purposes.

The following table summarizes changes in net assets of the Authority between December 31, 2004 and December 31, 2003:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2004	2003	Dollar Change	Total Percent Change
Current assets	\$103,223	92,530	\$10,693	11.56%
Noncurrent restricted assets	4,388,598	3,547,909	840,689	23.70%
Noncurrent unrestricted assets	68,585	73,123	(4,538)	(6.21%)
Capital assets	2,222	2,107	115	5.46%
Total assets	4,562,628	3,715,669	846,959	22.79%
Current liabilities	159,320	142,417	16,903	11.87%
Noncurrent revenue bonds and notes payable	2,132,395	1,456,740	675,655	46.38%
Other noncurrent liabilities	141	142	(1)	(.70%)
Total liabilities	2,291,856	1,599,299	692,557	43.30%
Net assets:				
Invested in capital assets	2,222	2,107	115	5.46%
Restricted	2,124,820	1,961,617	163,203	8.32%
Unrestricted	143,730	152,646	(8,916)	(5.84%)
Total net assets	2,270,772	2,116,370	154,402	7.30%
Total liabilities and net assets	\$4,562,628	3,715,669	\$846,959	22.79%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,270,771,646 as of December 31, 2004, \$2,124,819,981 of which is restricted for debt and grant covenants.

By far, the largest portion of the Authority's net assets is reflected in its loan receivables, less any related debt still outstanding used to fund these loans to local government agencies.

During fiscal year 2004, the Authority's net assets increased by \$154,401,172 or 7.30%. The majority of this increase was due to the following:

- A \$223,711,512 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A \$608,658,959 increase in cash, cash equivalents, and investments caused by the issuance of bonds.
- A \$682,968,760 increase in bonds and notes payable, the proceeds of which will be used to fund future loan receivables.

The following table summarizes the changes in revenues and expenses for the Authority between 2004 and 2003:

**Condensed Statement of Revenues,
Expenses and Changes in Fund Net Assets**
(all amounts expressed in thousands of dollars)

	2004	2003	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$126,727	124,229	\$2,498	2.01%
Investment income	27,677	14,070	13,607	96.71%
Administrative fees from projects	3,138	2,686	452	16.83%
Total operating revenues	<u>157,542</u>	<u>140,985</u>	<u>16,557</u>	<u>11.74%</u>
Operating expenses:				
Interest on bonds and notes	99,797	78,681	21,116	26.84%
Amortization of bond and note issuance expense	2,900	1,639	1,261	76.94%
Other	15,522	13,961	1,561	11.18%
Total operating expenses	<u>118,219</u>	<u>94,281</u>	<u>23,938</u>	<u>25.39%</u>
Operating income	<u>39,323</u>	<u>46,704</u>	<u>(7,381)</u>	<u>(15.80%)</u>
Nonoperating other revenues	2,681	4,546	(1,865)	(41.03%)
Contribution from U.S. EPA	112,398	71,728	40,670	56.70%
Change in net assets	<u><u>\$154,402</u></u>	<u><u>122,978</u></u>	<u><u>31,424</u></u>	<u><u>25.55%</u></u>

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest expense on bonds and notes. For the year ending December 31, 2004, the Authority had a decrease in operating income compared to 2003 of \$7,381,494 (15.80%). This decrease was attributed to the following:

- A \$21,116,887 increase in interest on bonds and notes attributed to the increase in bonds and notes issued during 2004.
- A \$13,607,534 increase in investment income caused by an increase in the yields the Authority was able to obtain on securities traded in 2004.

Debt Administration

As of December 31, 2004, the Authority had bond and note principal outstanding of \$2,243,949,138. The Authority's debt represents bonds and notes secured solely by loan repayments of pledged loans. The table below summarizes the amount of debt outstanding for 2004 and 2003.

Outstanding Debt at December 31, 2004 and December 31, 2003 (net of discounts, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

	2004	2003
Revenue Bonds	\$ 2,204,964	1,534,280
Revenue Notes	38,985	26,700
Total	<u>\$ 2,243,949</u>	<u>1,560,980</u>

During 2004, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Development Revenue Notes—Rural Development Loan Advance Series 2004-A
- Water Development Revenue Bonds—Fresh Water Improvement Series 2004
- Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004
- Drinking Water Assistance Fund Revenue Bonds—State Match Series 2004
- Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2004

During 2004, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2004 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997. This transaction enabled the Authority to save \$3,519,454 in future debt service payments.

The Authority continues to maintain strong bond ratings from Moody's, Standard & Poor's, and Fitch. The table below summarizes the bond ratings from Moody's and Standard and Poor's for the 2004 new money issues of the Authority.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

2004 Bond Ratings

<u>Bond Series</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Fresh Water	Aa1	AAA
Water Quality	Aaa	AAA
DWAF State Match	Aaa	AAA
DWAF Leverage	Aaa	AAA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-66 of this report.

Subsequent Event

Since December 31, 2004, the Authority has approved the issuance of additional debt. The Authority has agreed in principal to issue \$219,580,000 in Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 in April 2005. The Authority also has agreed in principal to issue \$105,220,000 in Water Development Refunding Revenue Bonds—Fresh Water Series 2005A in April 2005.

As these bonds will not be issued until 2005, they are not included in the long-term debt of the Authority as of December 31, 2004.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer, Ohio Water Development Authority, 480 S. High Street, Columbus, Ohio 43215, or call (614) 466-5822, or visit the Authority's website at www.owda.org.

OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2004

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Notes 5 & 6)	Community Assistance Fund (Notes 7 & 8)
Assets					
Current assets:					
Cash and cash equivalents -- Note 2	\$ 184,639	-	22,675,014	-	-
Investments -- Note 2	1,979,325	-	76,235,516	-	-
Receivables:					
Loan and Fee receivables	683,282	-	1,452,105	-	-
Other	13,012	-	-	-	-
Total current assets	<u>2,860,258</u>	<u>-</u>	<u>100,362,635</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Restricted grant, bond, and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	24,227,702	22,890,787
Investments -- Note 2	-	-	-	43,128	50,056,990
Loan receivables	-	2,230,099	-	34,557,018	136,592,286
Total restricted assets	<u>-</u>	<u>2,230,099</u>	<u>-</u>	<u>58,827,848</u>	<u>209,540,063</u>
Investments -- Note 2	2,886,739	-	11,547,098	-	-
Loan receivables	-	-	17,402,055	-	-
Other receivables	-	-	-	-	133,960
Deferred debt issuance and other expense	-	-	-	142,836	1,113,863
Due from other funds -- Note 3	561,663	-	-	-	-
Capital assets, at depreciated cost	2,221,795	-	-	-	-
Total noncurrent assets	<u>5,670,197</u>	<u>-</u>	<u>28,949,153</u>	<u>142,836</u>	<u>1,247,823</u>
Total assets	<u>\$ 8,530,455</u>	<u>2,230,099</u>	<u>129,311,788</u>	<u>58,970,684</u>	<u>210,787,886</u>
Liabilities					
Current liabilities:					
Accounts payable	282,143	-	234,112	-	-
Compensated absences	20,168	-	-	-	-
Total current liabilities	<u>302,311</u>	<u>-</u>	<u>234,112</u>	<u>-</u>	<u>-</u>
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	1,596,759	2,311,175
Accrued interest	-	-	-	55,814	381,100
Revenue bonds and notes payable	-	-	-	-	3,075,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,573</u>	<u>5,767,275</u>
Noncurrent liabilities:					
Compensated absences	141,546	-	-	-	-
Revenue bonds and notes payable (net of discounts, premiums and deferred losses)	-	-	-	38,985,000	94,286,256
Total noncurrent liabilities	<u>141,546</u>	<u>-</u>	<u>-</u>	<u>38,985,000</u>	<u>94,286,256</u>
Total liabilities	<u>443,857</u>	<u>-</u>	<u>234,112</u>	<u>40,637,573</u>	<u>100,053,531</u>
Net Assets					
Invested in capital assets	2,221,795	-	-	-	-
Restricted for debt and grant covenants	-	2,230,099	-	18,333,111	110,734,355
Unrestricted	5,864,803	-	129,077,676	-	-
Total net assets	<u>8,086,598</u>	<u>2,230,099</u>	<u>129,077,676</u>	<u>18,333,111</u>	<u>110,734,355</u>
Total liabilities and net assets	<u>\$ 8,530,455</u>	<u>2,230,099</u>	<u>129,311,788</u>	<u>58,970,684</u>	<u>210,787,886</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 9, 10,11,12 & 13)	Refunding Fund	Safe Water Refunding Fund (Notes 14 & 15)	Pure Water Refunding Fund (Notes 16, 17 & 18)	Water Pollution Control Loan Fund (Notes 19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29,30 & 31)	Total Combining 2004
-	-	-	-	-	-	22,859,653
-	-	-	-	-	-	78,214,841
-	-	-	-	-	-	2,135,387
-	-	-	-	-	-	13,012
-	-	-	-	-	-	103,222,893
69,978,660	1,710,793	24,518,103	14,325,232	157,247,713	127,540,223	442,439,213
189,741,298	1,906	25,113	52,400,534	739,069,370	5,306,100	1,036,644,439
481,450,589	17,635,087	78,235,384	240,032,778	1,693,644,669	225,136,933	2,909,514,843
<u>741,170,547</u>	<u>19,347,786</u>	<u>102,778,600</u>	<u>306,758,544</u>	<u>2,589,961,752</u>	<u>357,983,256</u>	<u>4,388,598,495</u>
-	-	-	-	-	-	14,433,837
-	-	-	-	-	-	17,402,055
1,086,940	-	81,613	-	3,041,316	105,556	4,449,385
4,036,792	-	349,876	2,265,959	22,308,613	1,491,610	31,709,549
3,000	-	-	-	14,164	11,424	590,251
-	-	-	-	-	-	2,221,795
<u>5,126,732</u>	<u>-</u>	<u>431,489</u>	<u>2,265,959</u>	<u>25,364,093</u>	<u>1,608,590</u>	<u>70,806,872</u>
<u>746,297,279</u>	<u>19,347,786</u>	<u>103,210,089</u>	<u>309,024,503</u>	<u>2,615,325,845</u>	<u>359,591,846</u>	<u>4,562,628,260</u>
-	-	-	-	-	-	516,255
-	-	-	-	-	-	20,168
-	-	-	-	-	-	536,423
-	-	-	325,600	14,164	250,487	590,251
5,416,409	-	-	-	20,155,627	8,292,723	37,772,693
1,867,717	-	210,351	844,823	4,811,843	694,915	8,866,563
15,124,075	-	17,807,371	29,155,000	42,268,025	4,125,000	111,554,471
<u>22,408,201</u>	<u>-</u>	<u>18,017,722</u>	<u>30,325,423</u>	<u>67,249,659</u>	<u>13,363,125</u>	<u>158,783,978</u>
-	-	-	-	-	-	141,546
440,773,194	-	30,844,606	174,357,376	1,167,083,091	186,065,144	2,132,394,667
<u>440,773,194</u>	<u>-</u>	<u>30,844,606</u>	<u>174,357,376</u>	<u>1,167,083,091</u>	<u>186,065,144</u>	<u>2,132,536,213</u>
463,181,395	-	48,862,328	204,682,799	1,234,332,750	199,428,269	2,291,856,614
-	-	-	-	-	-	2,221,795
283,115,884	19,347,786	54,347,761	95,554,313	1,380,993,095	160,163,577	2,124,819,981
-	-	-	8,787,391	-	-	143,729,870
<u>283,115,884</u>	<u>19,347,786</u>	<u>54,347,761</u>	<u>104,341,704</u>	<u>1,380,993,095</u>	<u>160,163,577</u>	<u>2,270,771,646</u>
<u>746,297,279</u>	<u>19,347,786</u>	<u>103,210,089</u>	<u>309,024,503</u>	<u>2,615,325,845</u>	<u>359,591,846</u>	<u>4,562,628,260</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended December 31, 2004

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Notes 5 & 6)	Community Assistance Fund (Notes 7 & 8)
Operating revenues:					
Loan income	\$ -	193,118	665,102	413,511	2,475,866
Investment income	50,357	-	1,311,557	225,366	1,487,254
Administrative fees from projects	2,412,398	-	-	-	-
Total operating revenues	<u>2,462,755</u>	<u>193,118</u>	<u>1,976,659</u>	<u>638,877</u>	<u>3,963,120</u>
Operating expenses:					
Interest on bonds and notes	-	-	-	365,556	4,505,477
Amortization of bond and note issuance expense	-	-	-	60,813	48,854
Other	2,737,623	-	1,116,667	148,061	3,287
Total operating expenses	<u>2,737,623</u>	<u>-</u>	<u>1,116,667</u>	<u>574,430</u>	<u>4,557,618</u>
Operating income (loss)	<u>(274,868)</u>	<u>193,118</u>	<u>859,992</u>	<u>64,447</u>	<u>(594,498)</u>
Nonoperating other revenues (expenses)	165,696	-	-	-	-
Income (loss) before contributions and transfers	<u>(109,172)</u>	<u>193,118</u>	<u>859,992</u>	<u>64,447</u>	<u>(594,498)</u>
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 35	322,600	(709,685)	(9,777,620)	5,520,001	-
Change in net assets	213,428	(516,567)	(8,917,628)	5,584,448	(594,498)
Net assets at beginning of year	7,873,170	2,746,666	137,995,304	12,748,663	111,328,853
Net assets at end of year	<u>\$ 8,086,598</u>	<u>2,230,099</u>	<u>129,077,676</u>	<u>18,333,111</u>	<u>110,734,355</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 9, 10,11,12 & 13)	Refunding Fund	Safe Water Refunding Fund (Notes 14 & 15)	Pure Water Refunding Fund (Notes 16, 17 & 18)	Water Pollution Control Loan Fund (Notes 19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29,30 & 31)	Total Combining 2004
25,234,359	1,200,486	9,365,903	19,700,600	60,216,054	7,261,359	126,726,358
3,778,295	109,316	367,307	1,655,339	16,680,140	2,012,416	27,677,347
-	-	-	-	-	725,942	3,138,340
<u>29,012,654</u>	<u>1,309,802</u>	<u>9,733,210</u>	<u>21,355,939</u>	<u>76,896,194</u>	<u>9,999,717</u>	<u>157,542,045</u>
18,821,122	913,816	3,711,257	12,599,910	51,743,229	7,137,180	99,797,547
238,833	929,359	186,347	632,180	728,160	75,545	2,900,091
168,736	11,839	1,725,137	2,403,564	4,557,147	2,649,791	15,521,852
<u>19,228,691</u>	<u>1,855,014</u>	<u>5,622,741</u>	<u>15,635,654</u>	<u>57,028,536</u>	<u>9,862,516</u>	<u>118,219,490</u>
<u>9,783,963</u>	<u>(545,212)</u>	<u>4,110,469</u>	<u>5,720,285</u>	<u>19,867,658</u>	<u>137,201</u>	<u>39,322,555</u>
1,625,999	-	-	(521,298)	1,410,430	-	2,680,827
<u>11,409,962</u>	<u>(545,212)</u>	<u>4,110,469</u>	<u>5,198,987</u>	<u>21,278,088</u>	<u>137,201</u>	<u>42,003,382</u>
-	-	-	-	86,719,055	25,678,735	112,397,790
<u>(4,187,923)</u>	<u>5,402,343</u>	<u>(5,571,307)</u>	<u>8,854,439</u>	<u>147,152</u>	<u>-</u>	<u>-</u>
7,222,039	4,857,131	(1,460,838)	14,053,426	108,144,295	25,815,936	154,401,172
275,893,845	14,490,655	55,808,599	90,288,278	1,272,848,800	134,347,641	2,116,370,474
<u>283,115,884</u>	<u>19,347,786</u>	<u>54,347,761</u>	<u>104,341,704</u>	<u>1,380,993,095</u>	<u>160,163,577</u>	<u>2,270,771,646</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2004

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Notes 5 & 6)	Community Assistance Fund (Notes 7 & 8)
Operating activities:					
Administrative fees from projects	\$ 2,056,320	-	-	-	-
Operating expenses	(1,345,970)	-	(127,260)	(148,061)	(3,287)
Salaries and fringes expense	(1,432,061)	-	-	-	-
Net cash (used) by operating activities	(721,711)	-	(127,260)	(148,061)	(3,287)
Investing activities:					
Proceeds from maturity or sale of investments	3,183,263	-	110,936,176	-	455,533,936
Purchase of investments	(3,697,776)	-	(116,010,462)	-	(475,036,764)
Interest received on investments, net of purchased interest	111,340	-	1,674,624	200,289	1,516,958
Interest received on projects	-	-	687,964	-	2,167,885
Principal collected on projects	-	-	4,488,444	8,465,535	5,113,221
Payment for construction of projects	-	-	(3,250,091)	(22,054,879)	(20,652,337)
Net cash provided (used) by investing activities	(403,173)	-	(1,473,345)	(13,389,055)	(31,357,101)
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	-	(335,065)	(4,594,515)
Proceeds of bonds and notes	-	-	-	16,000,000	-
Bond and note issuance expense	-	-	-	(93,128)	(76,318)
Redemption of bonds and notes	-	-	-	(3,715,000)	(2,405,000)
Contribution from U.S. EPA	-	-	-	-	-
Other	1,051,494	-	-	-	-
Transfers (to) from other funds	-	-	(9,777,618)	5,520,000	-
Net cash provided (used) by noncapital financing activities	1,051,494	-	(9,777,618)	17,376,807	(7,075,833)
Net increase (decrease) in cash and cash equivalents	(73,390)	-	(11,378,223)	3,839,691	(38,436,221)
Cash and cash equivalents at beginning of year	258,029	-	34,053,237	20,388,011	61,327,008
Cash and cash equivalents at end of year -- Note 2	\$ 184,639	-	22,675,014	24,227,702	22,890,787
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	(274,868)	193,118	859,992	64,447	(594,498)
Adjustments:					
Investment income	(50,357)	-	(1,311,557)	(225,366)	(1,487,254)
Operating expenses	-	-	989,407	-	-
Interest on bonds and notes	-	-	-	365,556	4,505,477
Loan income	-	(193,118)	(665,102)	(413,511)	(2,475,866)
Amortization of bond and note issuance expense	-	-	-	60,813	48,854
Net change in other assets and other liabilities	(396,486)	-	-	-	-
Net cash (used) by operating activities	\$ (721,711)	-	(127,260)	(148,061)	(3,287)

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 9, 10,11,12 & 13)	Refunding Fund	Safe Water Refunding Fund (Notes 14 & 15)	Pure Water Refunding Fund (Notes 16, 17 & 18)	Water Pollution Control Loan Fund (Notes 19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29,30 & 31)	Total Combining 2004
-	-	-	-	-	714,595	2,770,915
(159,514)	(4,254)	(11,765)	(296,028)	(4,409,997)	(2,649,791)	(9,155,927)
-	-	-	-	-	-	(1,432,061)
(159,514)	(4,254)	(11,765)	(296,028)	(4,409,997)	(1,935,196)	(7,817,073)
2,867,667,788 (2,976,130,383)	23,036,447 (16,851,547)	74,613,254 (56,157,638)	269,925,798 (268,342,448)	11,464,144,393 (11,958,125,858)	179,768,538 (179,698,251)	15,448,809,593 (16,050,051,127)
3,529,239	165,165	438,017	1,817,251	15,754,514	1,857,109	27,064,506
21,405,717	1,459,887	6,268,072	16,398,782	54,866,440	5,019,325	108,274,072
19,988,903	5,516,263	15,529,143	25,462,680	84,557,451	6,531,980	175,653,620
(73,790,404)	-	-	(169,715)	(207,416,825)	(65,307,691)	(392,641,942)
(137,329,140)	13,326,215	40,690,848	45,092,348	(546,219,885)	(51,828,990)	(682,891,278)
(19,365,192)	(930,515)	(3,052,920)	(12,061,734)	(53,850,490)	(7,384,438)	(101,574,869)
151,369,474	-	-	-	624,984,791	105,560,608	897,914,873
(1,143,053)	-	-	-	(4,006,187)	(827,570)	(6,146,256)
(12,290,000)	(17,500,000)	(18,905,000)	(43,930,000)	(108,072,700)	(3,275,000)	(210,092,700)
-	-	-	-	88,872,418	25,678,735	114,551,153
-	-	-	1,181,584	816,095	(185,096)	2,864,077
(2,555,436)	4,692,660	(5,571,307)	7,544,544	147,157	-	-
116,015,793	(13,737,855)	(27,529,227)	(47,265,606)	548,891,084	119,567,239	697,516,278
(21,472,861)	(415,894)	13,149,856	(2,469,286)	(1,738,798)	65,803,053	6,807,927
91,451,521	2,126,687	11,368,247	16,794,518	158,986,511	61,737,170	458,490,939
69,978,660	1,710,793	24,518,103	14,325,232	157,247,713	127,540,223	465,298,866
9,783,963	(545,212)	4,110,469	5,720,285	19,867,658	137,201	39,322,555
(3,778,295)	(109,316)	(367,307)	(1,655,339)	(16,680,140)	(2,012,416)	(27,677,347)
9,222	7,585	1,713,372	2,107,536	147,150	-	4,974,272
18,821,122	913,816	3,711,257	12,599,910	51,743,229	7,137,180	99,797,547
(25,234,359)	(1,200,486)	(9,365,903)	(19,700,600)	(60,216,054)	(7,261,359)	(126,726,358)
238,833	929,359	186,347	632,180	728,160	75,545	2,900,091
-	-	-	-	-	(11,347)	(407,833)
(159,514)	(4,254)	(11,765)	(296,028)	(4,409,997)	(1,935,196)	(7,817,073)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2004

(1) **AUTHORIZING LEGISLATION, REPORTING ENTITY, PROGRAM DESCRIPTIONS, FUND ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Authorizing Legislation

The Ohio Water Development Authority (Authority) is a body corporate and politic in the State of Ohio created by an Act of the General Assembly of the State of Ohio effective March 7, 1968. It is authorized and empowered to acquire, construct, maintain, repair, and operate water development projects and solid waste projects, to issue water development and solid waste revenue bonds and notes, and to collect rentals and other charges to pay such bonds and notes and the interest thereon. The Authority was given jurisdiction over financing solid waste control by an Act of the General Assembly of the State of Ohio during 1970. Under provisions of the Act, such revenue bonds and notes shall not be deemed to constitute a debt or a pledge of faith and credit of the State nor any political subdivision thereof.

Reporting Entity

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the Authority (the reporting entity) is financially accountable. Financial accountability is defined by Statement No. 14 as the level of accountability that exists if the reporting entity appoints a voting majority of the component unit's board, and is either (1) able to impose its will on that component unit, or (2) there is a potential for the component unit to provide specific financial benefits to, or to impose specific financial burdens on, the reporting entity. Based on this definition, the Authority does not have any component units. However, the Authority is a discretely presented component unit of the State of Ohio.

Programs

The Authority has established the following programs:

Local Communities

The Authority has established financing programs to provide loans to local communities in the State of Ohio for the construction of sewage and related water treatment facilities. These programs are accounted for in various funds, which are described in the following paragraphs. These loans provide for the financing of project construction costs. The federal government's share of costs (federal grants) is secured and assigned by the local community to the Authority. The local community agrees to pay to the Authority its share of project costs plus any costs ineligible for federal reimbursement over a period of years not to exceed 40 years. Revenue from the underlying project is pledged towards repayment of the loan.

The Authority's initial funding of the program came from a \$100,000,000 appropriation, all of which has been designated for use, from the State of Ohio. Subsequent funding of this program resulted from issuance by the Authority of bonds and notes.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Industrial

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 32. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

These bonds and notes are principally secured by either revenues from the services, lease purchase agreements, mortgages, letters of credit or a combination thereof and are not secured by assets of the Authority.

Basis of Presentation—Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses; and are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with laws, regulations or other restrictions. The following is a description of the funds adopted by the Authority.

(a) Operating Fund

The Operating Fund was established to account for the administrative activities and transactions of the Authority, which are required to carry out the provisions of the aforementioned authorizing legislation.

Revenues for Authority operations are principally provided by an administrative fee charged as a percentage of the total cost of each project which the Authority assists by providing financing. Fee income is recognized at the time that the financing agreements are finalized since substantially all of the costs associated with the agreements have been incurred by that time. Operating expenses, which are primarily salaries, employee fringe benefits and legal and professional fees, include administrative expenses of the Authority and other expenses incurred in connection with the financing of projects.

(b) Working Capital Fund

The Working Capital Fund was established to account for loans made to eligible municipalities, counties and other public bodies for the purpose of financing construction of sewage treatment and related facilities required by orders of the Ohio Environmental Protection Agency (Ohio EPA). The resources of this fund came from the aforementioned \$100,000,000 appropriation from the State of Ohio.

Construction costs may be reimbursed by federal grants in amounts up to 55% of the total eligible costs. The balance of the construction costs is repaid by Local Government Agencies (LGAs) under the terms of installment contracts (loan agreements) over periods of 28.5 to 40 years with interest at 5.25% to 6.50%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

All payments received from LGAs for project costs, interest, and maturities of investments are deposited in the accounts of the Refunding Fund.

(c) Other Projects Fund – Unallocated Reserve

In March 1992, the Unallocated Reserve Account was established by a resolution of the Authority and is administered by a Trustee. Initial funding for the Unallocated Reserve Account was provided by an \$8,300,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Pure Water Refunding Fund and the Fresh Water Fund.

This account was established for potential collectibility or cash flow problems that may arise in the future on any Authority project.

(d) Other Projects Fund – Interest Rate Management

The Interest Rate Management Account was established during 2004 by a resolution of the Authority and is administered by a Trustee. Initial funding for the Interest Rate Management Account was provided by the proceeds received on an interest rate swap agreement as described in Note 12.

The purpose of the account is to hedge the Authority's exposure to variable rate interest.

(e) Other Projects Fund – Endowment Grant

The Endowment Grant Account was established during 1990 by a resolution of the Authority and is administered by a Trustee. Funding for the Endowment Grant Account was provided by a \$6,000,000 transfer from the Pure Water Refunding Fund.

The purpose of the account is to provide grants to local governments in Ohio to develop innovative projects in the areas of drinking water, wastewater and solid waste management. Each grant will fund 50% of the total project cost; funding for the remaining 50% is to be provided by a cash match from the local government.

(f) Other Projects Fund – Solid Waste

The Solid Waste Account was established during 1991 by a resolution of the Authority and is administered by a Trustee. Funding for the Solid Waste Account was provided by a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided through monetary transfers from the Pure Water Refunding Fund.

The purpose of the account is to provide financing to local governments in Ohio for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects and landfills. The balance of the construction costs is paid by the solid waste facilities under terms of installment contracts over 12 years with interest at 5.70%.

(g) Other Projects Fund – Local Economic Development

The Local Economic Development Account was established during 1995 by a resolution of the Authority and is administered by a Trustee. Funding for the Local Economic Development Account was provided by a \$4,196,200 transfer from the Safe Water Refunding Fund and a

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

\$5,803,800 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

The purpose of the account is to provide financing to local governments in Ohio to construct projects which will provide economic development benefits. The interest rate for each loan is negotiated by the local government and the Ohio Department of Development.

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 5 to 25 years with interest at 1.00 % to 6.62%.

(h) Other Projects Fund – Village Capital Improvements

The Village Capital Improvements Account was established during 1995 by the Budget Reconciliation Bill which gave the Authority the responsibility to principally administer this program after pre-approval by the Ohio EPA. Initial funding was provided by a \$1,961,037 contribution from the Ohio EPA, consisting of loans receivable of \$1,595,433 and cash of \$365,604. Additional funding has been provided by monetary transfers from the Pure Water Refunding Fund.

The purpose of the account is to provide interest-free planning and design loans to qualifying villages in Ohio for water and wastewater facilities. These loans are to be repaid at a term not to exceed 10 years.

(i) Other Projects Fund – Emergency Relief

The Emergency Relief Account was established during 1997 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$5,000,000 transfer from the Fresh Water Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

The purpose of the account is to provide financial assistance to Ohio communities that have sustained damage to their water or wastewater utilities as the result of a natural disaster. To be eligible, communities must have an outstanding loan from the Authority and be in a federal or state designated disaster area. The account can provide a community with up to two semi-annual loan payments to the Authority in an amount equivalent to the damage sustained by the water or wastewater systems during the disaster.

As of December 31, 2004, the Authority has approved \$4,694,605 in assistance to twenty-four communities for damage caused by flooding in Ohio.

(j) Other Projects Fund – Dam Safety

The Dam Safety Account was established during 1999 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$10,000,000 transfer from the Solid Waste Account.

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety Linked

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Notes to Financial Statements

Deposit Program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2004 was \$3,388,000.

(k) Other Projects Fund – Lake Erie Soil Erosion

The Lake Erie Soil Erosion Account was established during 2000 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$10,000,000 transfer from the Fresh Water Fund

The purpose of the account is to provide financing to the eight counties with Lake Erie shorelines containing coastal erosion areas. Any county receiving financing from the program will then provide financial assistance to property owners for the construction of erosion control structures in areas defined by statute as coastal erosion areas.

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2004, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

(l) Other Projects Fund – Security Assistance

The Security Assistance Account was established during 2001 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$5,000,000 transfer from the Fresh Water Fund.

The purpose of the account is to provide financing to local governments in Ohio to protect the communities' water and wastewater systems. Eligible items under the program include lighting, fencing, cameras, motion detectors, gating and security systems and terrorism preparedness plans.

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2004, one loan has been awarded from this account in the amount of \$200,000 over 30 years.

(m) Other Projects Fund – Interest Rate Subsidy

The Interest Rate Subsidy Account was established during 2003 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by transfers from the Rural Utility Services and Fresh Water Funds of \$3,415,574 and \$19,790,902, respectively.

The purpose of the account is to provide a subsidy to local governments in Ohio that obtained financing under the Authority's Fresh Water, Clean Water, Safe Water and Pure Water programs whose loan interest rates exceed 7.00%. The subsidy provided by this account will reduce the effective interest rate on these loans to 7.00% beginning with the loan repayment due on January 1, 2004.

(n) Rural Utility Services Fund

The Rural Utility Services Fund was established during 1996 by a resolution of the Authority and is administered by a Trustee. Initial funding for the fund was provided by a \$2,800,150 transfer from the Pure Water Refunding Fund. Additional funding was provided by the proceeds of the

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 1996-A, RD Loan Advance Series 1998-A, Series 1999-A, Series 2000-A, Series 2001-A and Series 2002-A, the Adjustable Rate Water Development Refunding and Improvement Revenue Notes—RD Loan Advance Series 2003, the Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 2004-A, and monetary transfers from the Fresh Water Fund.

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.83% to 3.84%.

(o) Community Assistance Fund

The Community Assistance Fund (formerly known as the Hardship Fund) was established during 1983 by a resolution of the Authority and is administered by a Trustee. The purpose of the fund is to provide a financing program for local governments in Ohio that are unable to meet debt service requirements at normal market interest rates without undue hardship to users.

Construction costs may be reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the construction costs is paid by the LGA under the terms of installment contracts over periods of 19.5 to 30 years with interest at 1.00% to 3.11%. LGA payments of construction costs may be used for providing additional funding for qualifying projects.

Initial funding for the Community Assistance Fund was provided by a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997 and Series 2003. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

(p) Fresh Water Fund

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. The Water Development Revenue Bonds—1995 Fresh Water Series, Fresh Water Series 1998, Fresh Water Refunding and Improvement Series 2001, Fresh Water and Improvement Series 2002, and Fresh Water Series 2004 were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

The purpose of these funds is to provide moneys necessary to finance the LGA portion of costs for planning, designing, acquiring or constructing wastewater treatment, sewage collection, and water supply and distribution facilities in Ohio, and to finance other projects approved by the Authority.

The balance of construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 3.85% to 7.38%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(q) Refunding Fund

The Refunding Fund consists of various accounts which are administered by a Trustee. Initial funding for the fund was provided by the Water Development Revenue Bonds—Pollution Abatement Series and Clean Water Series. In 1979, the Water Development Revenue Refunding Bonds—Refunding and Improvement Series were issued to advance refund the outstanding Pollution Abatement and Clean Water Bonds, and to provide initial funding for the Safe Water Refunding Fund. The Water Development Revenue Refunding Bonds—1985 Refunding and Improvement Series and 1992 Clean Water Series were later issued, both for the purpose of advance refunding the presently outstanding Refunding Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

The Refunding Fund was established to provide additional funding necessary for the construction of LGA projects in addition to those financed by the State appropriation, referred to previously. Similar to the Working Capital Fund, certain project costs financed were reimbursed by federal grants in amounts up to 75% of the total eligible construction costs. The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 20.5 to 40 years with interest rates of 5.25% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(r) Safe Water Refunding Fund

The Safe Water Refunding Fund consists of various accounts which were established by the Water Development Revenue Refunding Bonds—Safe Water Refunding and Improvement Series resolutions and are administered by a Trustee. The initial series of bonds were issued from 1982 through 1984, a portion of which was advance refunded in 1983. The Water Development Revenue Refunding Bonds—Safe Water Refunding 1987 Series A & B and the 1992 Safe Water Series were established by resolutions of the Authority and advance refunded the 1985 Safe Water Refunding and Improvement Series. Additionally, in 1997, the Water Development Revenue Refunding Bonds—1997 Safe Water Series were issued for the purpose of refunding presently outstanding Safe Water Refunding Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Similar to the Refunding Fund and the Working Capital Fund, certain project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is paid by the LGAs under terms of installment contracts over periods of 19 to 25 years with interest rates of 7.11% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(s) Pure Water Refunding Fund

The Pure Water Refunding Fund consists of various accounts which were established by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Additional funding was provided by the Pure Water Refunding Series 2002A and Series 2002B. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Similar to the Refunding Fund, the Safe Water Refunding Fund and the Working Capital Fund, certain financed project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is repaid by the LGAs under terms of installment

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contracts over periods of 5 to 30 years with interest rates of 0.00% to 9.48%. LGA repayments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(t) Water Pollution Control Loan Fund

The Water Pollution Control Loan Fund consists of various accounts which were established by an Act of the General Assembly of the State of Ohio in 1989 and are administered by a Trustee. The purpose of this fund is to provide financial assistance for the construction of publicly owned wastewater treatment works in Ohio.

Construction costs are paid by LGAs under terms of installment contracts over periods of 5 to 20 years with interest rates of 0.00% to 5.20%. LGA repayments of project costs are restricted for the purpose of providing additional moneys for projects or for debt service.

The Water Pollution Control Loan Fund (WPCLF) was initially funded in 1989 by a U.S. Environmental Protection Agency capitalization grant, which required a 20% matching contribution from the Ohio EPA. Grant funding has been awarded as detailed in the following table:

Year Awarded	Capitalization Grant	State Match
1989	\$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1992	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
Total	\$ 1,300,170,734	260,037,713

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, Series 1993, Series 1995 and Series 2000 and Water Quality Series 1995, Series 1997, Series 2001, Series 2002, and Series 2004 (WPCLF Bonds and Notes). The WPCLF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees.

The WPCLF Bonds and Notes are special obligations of the Authority, issued to fund the State Match account for use in making loans to LGAs provided by the Ohio EPA and the Authority. All interest earned on moneys and/or investments in the WPCLF remain within the fund. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2004 was \$10,373,000

(u) *Drinking Water Assistance Fund*

The Drinking Water Assistance Fund was established by legislation enacted by the General Assembly of the State of Ohio in 1997 and is administered by a Trustee. The purpose of this fund is to assist public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act requirements and to protect public health.

Construction costs are paid under terms of installment contracts over periods of 5 to 20 years with interest rates of 2.00% to 4.66%. Repayments of project costs are restricted for the purpose of providing additional moneys for projects.

The Drinking Water Assistance Fund (DWAF) was initially funded in 1998 by a U.S. Environmental Protection Agency capitalization grant, with a required 20% state match contribution from the Ohio EPA. Grant funding has been awarded as detailed in the following table:

Year Awarded	Capitalization Grant	State Match
1998	\$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
Total	<u>\$ 213,828,600</u>	<u>42,765,720</u>

The DWAF received additional funding from the proceeds of the Drinking Water Assistance Fund Revenue Bond Anticipation Notes—State Match Series 2001 and the Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002, State Match Series 2004, Leverage Series 2002, and Leverage Series 2004. The DWAF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The basis of accounting determines when transactions and economic events are reflected in financial statements. The Authority has prepared the financial statements on the full accrual basis of accounting. Accordingly, revenues are recognized as earned and expenses are recognized as incurred, including interest expense on bonds and notes outstanding.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB pronouncements as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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

(b) Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with Trustees and petty cash, as defined in GASB Statement No. 9 for the purpose of the statement of cash flows, in addition to money market investments and holdings in the State Treasury Asset Reserve of Ohio (STAROhio) investment pool. STAROhio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940, which requires investments in the 2a7-like pool to be reported at amortized cost (which approximates fair value).

For the purpose of the statement of cash flows, the Authority considers cash deposits with a maturity of three months or less when purchased to be cash equivalents. Additionally, the Authority does not consider its loans to be program loans, and as a result, reports its loan cash flows within the investing activities section of the statement of cash flows.

During 2004, the Authority reclassified money market investments and STAROhio holdings to be cash equivalents, rather than investments as reported at December 31, 2003. For this reason, the following table documents the adjustments needed by fund to restate cash and cash equivalents at beginning of year within the Combining Statement of Cash Flows.

<u>Fund</u>	Cash and Cash Equivalents		
	As Previously Reported	2004 Adjustment	As Restated
Operating	\$ 258,029	–	258,029
Other Projects	49,958	34,003,279	34,053,237
Rural Utility Services	–	20,388,011	20,388,011
Community Assistance	299,852	61,027,156	61,327,008
Fresh Water	1,237,356	90,214,165	91,451,521
Refunding	89,265	2,037,422	2,126,687
Safe Water Refunding	342,814	11,025,433	11,368,247
Pure Water Refunding	3,925,955	12,868,563	16,794,518
Water Pollution Control Loan	4,225,876	154,760,635	158,986,511
Drinking Water Assistance	1,437,882	60,299,288	61,737,170
Totals	\$ 11,866,987	446,623,952	458,490,939

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Notes to Financial Statements

(c) *Investments*

With the exception of participating interest-earning investment contracts and nonnegotiable certificates of deposit, investments are carried at fair value, which includes accrued interest receivable. Accordingly, the Authority reports participating interest-earning investment contracts and nonnegotiable certificates of deposit at amortized cost plus accrued interest receivable.

The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreements within the Fresh Water Fund and Pure Water Refunding Fund, see Notes 12 & 18.

(d) *Due to and Due from Other Funds*

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2004 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

(e) *Loan Income as Defined by the Contracts*

Loan income consists primarily of interest charged to LGAs, as defined by the contracts with LGAs, on the amounts estimated to be paid under the loan agreements. Interest charged during the construction period is capitalized by the Authority and is reflected as part of LGA receivables.

(f) *Amortization of Premium, Discount and Issuance Expense of Bonds and Notes*

Premium, discount and issuance expense are amortized over the life of the bonds and notes, following the interest method.

(g) *Interfund Transfers/Net Assets*

The Authority reports interfund transactions when incurred, as follows:

- Transfers in (out), net: Transfers to a receiving fund from a disbursing fund required to meet routine operating requirements, such as debt service repayments and loan disbursements, in addition to transfers between funds for initial and/or additional funding needs.

Interfund transfers have not been eliminated in the combining column of the financial statements.

Net assets in excess of those amounts required by the various trust agreements may, upon Board authorization, be used for any lawful purpose.

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Notes to Financial Statements

(h) Capital Assets and Facilities

Capital assets of the Authority include an office building with attached garage, two parking lots, office furniture, equipment and an automobile. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is computed on the building, capital improvements and other capital assets only, using the straight line method with no salvage value. Current year depreciation expense is detailed below as ‘additions’ to accumulated depreciation.

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	\$ 538,676	–	–	538,676
Building (useful life: 20-45 years)	887,524	–	–	887,524
Capital Improvements (useful life: 20 years)	398,744	229,570	–	628,314
Other (useful life: 3-10 years)	1,312,853	119,053	(56,240)	1,375,666
Total capital assets	\$ 3,137,797	348,623	(56,240)	3,430,180
Less: accumulated depreciation-Building	(43,143)	(37,597)	–	(80,740)
Less: accumulated depreciation-Cap Impr	–	(23,562)	–	(23,562)
Less: accumulated depreciation-Other	(987,612)	(172,711)	56,240	(1,104,083)
Capital assets, at depreciated cost	\$ 2,107,042	114,753	–	2,221,795

The Authority leased office space under an operating lease that expired in April 2004. Lease expense was approximately \$120,000 per year and was accounted for in the Operating Fund.

(i) Balance Sheet Classifications

The Authority is required to classify its balance sheet, detailing current and noncurrent assets and liabilities and restricted and unrestricted net assets, as follows:

- Current: Due within one year from December 31, 2004
- Noncurrent: Due after December 31, 2005
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

Within the Pure Water Refunding Fund, there exist both restricted and unrestricted net assets. The unrestricted net assets may, upon Board authorization, be used by the Authority for any lawful purpose.

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Notes to Financial Statements

(j) *Revenue and Expense Classifications*

The Authority's policy for revenue and expense classification is as follows:

- Operating revenues consist of loan income, investment income and administrative fees from projects
- Operating expenses consist of interest on bonds and notes, amortization of bond and note issuance expense and other operating expenses
- Nonoperating other revenues (expenses)
- Contribution from U.S. EPA

(k) *Risk Management*

It is the policy of the Authority to eliminate or transfer risk. The Authority does not self-insure any risk resulting from acts of God, injury to employees or breach of contract.

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$2,100,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$26,000,000. The Authority also carries premium-based medical and dental coverage for all employees.

During 2004, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

(2) CASH AND INVESTMENTS

The Authority's carrying amount and bank balance of deposits as of December 31, 2004 was \$10,369,266. Of this amount, \$300,000 was covered by federal depository insurance, and \$10,069,266 was collateralized with securities held by the bank's agent but not in the Authority's name. The Authority's carrying amount of long-term nonnegotiable certificates of deposit as of December 31, 2004 was \$13,762,223. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

The Authority's investment policy, which is in compliance with the Ohio Revised Code, authorizes investments in obligations of the U.S. Treasury, U.S. Agencies, obligations of the State of Ohio or any political subdivision, obligations of any State of the United States, repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A", investment agreements from financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard & Poor's, money market mutual funds whose portfolio consists of authorized investments, and the State Treasurer's investment pool. All investments must mature within five year of settlement unless the investment is matched to a specific obligation or debt of the Authority. Securities are purchased with the expectation that they may be held to maturity.

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Notes to Financial Statements

As of December 31, 2004, the Authority had the following investments and maturities:

Fund – Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Operating:					
U.S. Agencies	\$4,845,934	2,887,335	1,958,599	-	-
Other Projects:					
U.S. Agencies	84,077,759	74,014,633	10,063,126	-	-
STAROhio	18,946,386	18,946,386	-	-	-
Money Market	3,725,277	3,725,277	-	-	-
	106,749,422	96,686,296	10,063,126	-	-
Rural Utility Services:					
STAROhio	18,574,965	18,574,965	-	-	-
Money Market	5,652,734	5,652,734	-	-	-
	24,227,699	24,227,699	-	-	-
Community Assistance:					
Investment Contract	50,025,018	-	46,081,516	-	3,943,502
STAROhio	10,758,778	10,758,778	-	-	-
Money Market	11,730,693	11,730,693	-	-	-
	72,514,489	22,489,471	46,081,516	-	3,943,502
Fresh Water:					
Repurchase Agreements	20,069,003	20,069,003	-	-	-
U.S. Treasuries	4,575,560	134,934	624,666	1,013,520	2,802,440
U.S. Agencies	34,959,308	25,563,068	9,396,240	-	-
Investment Contract	129,981,910	-	124,504,356	-	5,477,554
STAROhio	56,536,344	56,536,344	-	-	-
Money Market	11,578,959	11,578,959	-	-	-
	257,701,084	113,882,308	134,525,262	1,013,520	8,279,994
Refunding:					
Money Market	1,693,613	1,693,613	-	-	-
Safe Water Refunding:					
Money Market	23,929,752	23,929,752	-	-	-
Pure Water Refunding:					
Repurchase Agreements	3,058,153	3,058,153	-	-	-
U.S. Treasuries	10,919,984	1,259,584	5,504,091	4,156,309	-
U.S. Treasury Strips	1,639,884	201,808	748,772	689,304	-
U.S. Agencies	36,628,135	15,201,235	21,426,900	-	-
STAROhio	10,579,953	10,579,953	-	-	-
Money Market	1,083,096	1,083,096	-	-	-
	63,909,205	31,383,829	27,679,763	4,845,613	-

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Notes to Financial Statements

	Fair Value	Investment Maturities (in years) - Continued			
		Less than 1	1 - 5	6 - 10	More than 10
Water Pollution Control Loan:					
Repurchase Agreements	\$202,213,246	202,213,246	-	-	-
U.S. Treasuries	330,765	-	330,765	-	-
U.S. Treasury Strips	2,331,904	204,672	396,793	746,130	984,309
U.S. Agencies	19,437,075	8,106,500	11,330,575	-	-
Investment Contract	504,055,481	17,061,817	463,179,731	-	23,813,933
STAROhio	117,020,792	117,020,792	-	-	-
Money Market	35,935,971	35,935,971	-	-	-
	881,325,234	380,542,998	475,237,864	746,130	24,798,242
Drinking Water Assistance:					
Investment Contract	5,100,258	-	-	-	5,100,258
STAROhio	119,147,427	119,147,427	-	-	-
Money Market	8,034,860	8,034,860	-	-	-
	\$132,282,545	127,182,287	-	-	5,100,258

The Authority's repurchase agreements, U.S. Treasuries and U.S. Agencies are uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. As of December 31, 2004, the Authority's investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investments in repurchase agreements and investment contracts were unrated. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAM by Standard & Poor's. The Authority's money market investments were rated AAAM by Standard & Poor's.

As of December 31, 2004, the Authority had investment balances with the following issuers which are greater than or equal to 5% of the respective fund's investment balance:

Fund	Issuer	Percent of Fund's Investments
Operating	Federal Home Loan Bank	65%
	Federal National Mortgage Association	25%
Other Projects	Federal Home Loan Bank	30%
	Federal National Mortgage Association	19%
	Federal Home Loan Mortgage Corporation	26%
Community Assistance	Citigroup – Investment Contract	57%
	AIGMFC - Investment Contract	5%
	MBIA – Investment Contract	5%
Fresh Water	Transamerica – Investment Contract	46%
	Federal Home Loan Bank	11%
	Goldman Sachs – Repurchase Agreements	7%
Pure Water Refunding	Federal Home Loan Bank	33%
	Federal Home Loan Mortgage Corporation	23%
Water Pollution Control Loan	Citigroup – Investment Contract	50%
	Morgan Stanley – Repurchase Agreements	7%
	Bear Sterns – Repurchase Agreements	7%

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Notes to Financial Statements

The Authority manages its concentration risk by limiting investments to U.S. Treasuries, U.S. Agencies or to issuers with the highest short-term ratings from Moody's or Standard & Poor's or one of the three highest long-term ratings from Moody's or Standard & Poor's.

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2004 consisted of the following:

Fund	Due from				Total
	Operating	Fresh Water	Water Pollution Control Loan	Drinking Water Assistance	
Pure Water Refunding	\$ 322,600	3,000	—	—	\$325,600
Water Pollution Control Loan	—	—	14,164	—	14,164
Drinking Water Assistance	239,063	—	—	11,424	250,487
Total	\$ 561,663	3,000	14,164	11,424	\$590,251

(4) CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2004, the Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which became effective for all component units of the State of Ohio, including the Authority, with fiscal years beginning after June 30, 2003. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk, interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

(5) WATER DEVELOPMENT REFUNDING AND IMPROVEMENT REVENUE NOTES—RURAL DEVELOPMENT LOAN ADVANCE SERIES 2003

As of December 31, 2004, there was \$22,985,000 of Water Development Refunding and Improvement Revenue Notes—Rural Development Loan Advance Series 2003 outstanding, which will mature on February 1, 2006. These notes have an adjustable rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2004 was 2.01%.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 355,590	—
2006	29,036	22,985,000
Total	\$ 384,626	22,985,000

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Notes to Financial Statements

The notes are collateralized exclusively by federal assistance to be received by the Authority from the United States of America, acting through Rural Development based upon assignment from the LGAs. As the Authority receives this federal assistance, it is required to redeem a like amount of notes. Debt service deficiencies, if any, will be provided from an irrevocable letter of credit issued by National City Bank.

The trust agreement provides for four separate accounts to be held by the trustee and designated as follows:

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.
- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2004, there is no accrued rebate liability for these notes.

(6) WATER DEVELOPMENT REVENUE NOTES—RURAL DEVELOPMENT LOAN ADVANCE SERIES 2004-A

As of December 31, 2004, there was \$16,000,000 of Water Development Revenue Notes—Rural Development Loan Advance Series 2004-A outstanding, which will mature on October 1, 2007. These notes have an adjustable rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2004 was 2.01%.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005 \$	321,600	—
2006	321,600	—
2007	241,200	16,000,000
Total \$	<u>884,400</u>	<u>16,000,000</u>

The notes are collateralized exclusively by federal assistance to be received by the Authority from the United States of America, acting through Rural Development based upon assignment from the LGAs. As the Authority receives this federal assistance, it is required to redeem a like amount of notes. Debt service deficiencies, if any, will be provided from an irrevocable letter of credit issued by National City Bank.

The trust agreement provides for four separate accounts to be held by the trustee and designated as follows:

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.
- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2004, there is no accrued rebate liability for these notes.

(7) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 1997

As of December 31, 2004, there was \$42,940,000 of Water Development Revenue Bonds—Community Assistance Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.60% to 6.00%	2005–2012	\$ 1,975,000	17,010,000	18,985,000
Term	5.250% to 5.375%	2013–2024	–	23,955,000	23,955,000
			<u>1,975,000</u>	<u>40,965,000</u>	<u>42,940,000</u>
	Less: unamortized discount		–	(317,736)	(317,736)
			<u>\$ 1,975,000</u>	<u>40,647,264</u>	<u>42,622,264</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,252,325	1,975,000
2006	2,153,300	2,070,000
2007	2,027,150	2,200,000
2008	1,896,075	2,330,000
2009	1,769,175	2,460,000
2010–2014	6,875,143	13,040,000
2015–2019	3,648,522	10,975,000
2020–2024	1,093,678	7,890,000
Total	<u>\$ 21,715,368</u>	<u>42,940,000</u>

The term bonds are subject to mandatory redemption beginning June 1, 2013. Both the term and serial bonds maturing on or after June 1, 2008 callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2007, or on any interest payment thereafter at par plus accrued interest plus a premium of 2%, which diminishes to zero by December 1, 2009.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds.

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Notes to Financial Statements

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 1998, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(8) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 2003

As of December 31, 2004, there was \$53,240,000 of Water Development Revenue Bonds—Community Assistance Series 2003 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.0% to 5.0%	2005–2017	\$ 1,100,000	16,705,000	17,805,000
Term	4.625% to 5.000%	2014–2030	–	35,435,000	35,435,000
			1,100,000	52,140,000	53,240,000
	Add: unamortized premium		–	1,498,992	1,498,992
			\$ 1,100,000	53,638,992	54,738,992

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 2,293,763	1,100,000
2006	2,270,063	1,470,000
2007	2,238,713	1,680,000
2008	2,202,838	1,715,000
2009	2,157,538	1,755,000
2010–2014	9,847,719	9,750,000
2015–2019	7,428,350	12,090,000
2020–2024	4,364,369	12,175,000
2025–2029	1,707,591	9,640,000
2030	70,250	1,865,000
Total	\$ 34,581,194	53,240,000

The term bonds are subject to mandatory redemption beginning June 1, 2014. Both the term and serial bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2013, or on any interest payment thereafter at par plus accrued interest.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 2004, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

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On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(9) WATER DEVELOPMENT REVENUE BONDS—1995 FRESH WATER SERIES

As of December 31, 2004, there was \$2,980,000 of Water Development Revenue Bonds—1995 Fresh Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
Serial	5.40%	2005	\$ 2,980,000
	Less: unamortized discount		(925)
			\$ 2,979,075

Not included in the above amounts is \$84,190,000 of bonds remaining outstanding, which the Authority defeased in 1998 and 2001. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 101,790	2,980,000

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for seven separate accounts designated as the 1995 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Cross-Collateralization account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 1995, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.

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- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(10) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER SERIES 1998

As of December 31, 2004, there was \$120,535,000 of Water Development Revenue Bonds—Fresh Water Series 1998 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 5.25%	2005–2016	\$ 6,055,000	89,520,000	95,575,000
Term	5.125%	2017–2023	–	24,960,000	24,960,000
			6,055,000	114,480,000	120,535,000
	Add: unamortized premium		–	414,473	414,473
			\$ 6,055,000	114,894,473	120,949,473

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 6,114,963	6,055,000
2006	5,777,369	9,115,000
2007	5,327,575	9,560,000
2008	4,819,244	10,015,000
2009	4,287,944	10,395,000
2010–2014	13,926,325	39,040,000
2015–2019	6,148,550	25,060,000
2020–2023	1,080,094	11,295,000
Total	\$ 47,482,064	120,535,000

The term bonds are subject to mandatory redemption beginning June 1, 2017. Both the term and serial bonds maturing on or after December 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2008, or on any interest payment thereafter at par plus accrued interest plus a premium of 1%, which diminishes to zero by June 1, 2010.

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LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 1998 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 1998, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(11) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER REFUNDING & IMPROVEMENT SERIES 2001 A & B

As of December 31, 2004, there was \$75,045,000 of Water Development Revenue Bonds—Fresh Water Refunding and Improvement Series 2001 A & B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.00% to 5.50%	2005–2021	\$ 665,000	56,775,000	57,440,000
Term	5.000% to 5.375%	2012–2025	–	17,605,000	17,605,000
			665,000	74,380,000	75,045,000
	Add: unamortized premium		–	4,482,398	4,482,398
	Less: deferred loss		–	(4,366,686)	(4,366,686)
			\$ 665,000	74,495,712	75,160,712

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 3,967,900	665,000
2006	3,941,000	695,000
2007	3,913,000	720,000
2008	3,883,900	750,000
2009	3,853,600	780,000
2010–2014	17,437,038	23,650,000
2015–2019	8,694,088	32,630,000
2020–2024	1,799,700	13,455,000
2025	64,000	1,700,000
Total	\$ <u>47,554,226</u>	<u>75,045,000</u>

The term bonds are subject to mandatory redemption beginning June 1, 2012. The term and serial bonds maturing on or after June 1, 2012 are also callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2011, or on any interest payment thereafter at par plus accrued interest.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2001 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2001, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

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On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(12) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2002

As of December 31, 2004, there was \$102,145,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.125% to 5.250%	2005–2012	\$ 3,295,000	26,400,000	29,695,000
Term	4.750% to 5.375%	2013–2027	–	72,450,000	72,450,000
			3,295,000	98,850,000	102,145,000
	Add: unamortized premium		–	3,439,258	3,439,258
			\$ 3,295,000	102,289,258	105,584,258

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 4,959,094	3,295,000
2006	4,839,769	3,500,000
2007	4,707,269	3,600,000
2008	4,566,119	3,710,000
2009	4,412,006	3,845,000
2010–2014	19,416,444	20,300,000
2015–2019	13,711,775	25,790,000
2020–2024	5,928,344	29,135,000
2025–2027	626,881	8,970,000
Total	\$ 63,167,701	102,145,000

The term bonds are subject to mandatory redemption beginning June 1, 2013. The term bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, or on any interest payment thereafter at par plus accrued interest.

On September 1, 2004, the Authority entered into a fifteen-year interest rate swap agreement for \$100,000,000 of its Fresh Water Series 2002 and Series 2004 Bonds. As a result of the agreement, the Authority receives interest payments from the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 1.26% for years one through three of the agreement. Starting in year four of the fifteen-year agreement, the Authority makes interest payments to BSFP at the BMA Municipal Swap Index and receives interest payments from BSFP at 3.77%. The Authority received a

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\$1,324,000 swap cancellation option premium from BSFP when the swap was executed which allows BSFP a one-time option to cancel the swap at year three. The purpose of the swap was to allow the Authority to reduce its borrowing cost by synthetically converting a portion of its Fresh Water debt to variable rates. As of December 31, 2004, the swap had a negative fair value of \$2,568,366, which was calculated using the par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2004, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard and Poor's as of December 31, 2004.
- b) Basis risk: As of December 31, 2004, the Authority was not exposed to basis risk.
- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2002 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2002, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

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Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(13) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2004

As of December 31, 2004, there was \$149,000,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2005–2014	\$ 2,130,000	45,010,000	47,140,000
Term	5.00% to 5.25%	2015–2034	–	101,860,000	101,860,000
			2,130,000	146,870,000	149,000,000
	Add: unamortized premium		–	2,223,751	2,223,751
			\$ 2,130,000	149,093,751	151,223,751

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 7,102,058	2,130,000
2006	7,042,070	4,055,000
2007	6,934,908	4,365,000
2008	6,794,070	4,705,000
2009	6,610,133	4,860,000
2010–2014	29,497,488	27,025,000
2015–2019	22,327,075	30,555,000
2020–2024	14,113,750	33,235,000
2025–2029	7,073,875	22,135,000
2030–2034	2,036,375	15,935,000
Total	\$ 109,531,802	149,000,000

The term bonds are subject to mandatory redemption beginning June 1, 2015. The term bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, or on any interest payment thereafter at par plus accrued interest.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2004 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

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Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2004, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(14) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1992 SAFE WATER SERIES

As of December 31, 2004, there was \$4,377,371 of Water Development Revenue Refunding Bonds—1992 Safe Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
Capital Appreciation	6.00%	2005	\$ 4,377,371

Not included in the above amounts is \$53,835,000 of 1987 Safe Water Series bonds remaining outstanding, which the Authority defeased in 1985. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>
<u>December 31</u>	
2005	\$ 4,550,000

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The 1992 Safe Water Series bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of project costs from Safe Water projects, including interest, in addition to all moneys and investments in the Safe Water Refunding Group, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as 1992 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

A pro rata portion of amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing May 1, 1993, (1) a sum which, when added to any available balance then on deposit in the Debt service account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.
- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value of one-half the average annual service charges remaining to be paid on the outstanding 1992 Safe Water Series Bonds.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year prior to making allocations or payments of moneys on hand in the Revenue account.

(15) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1997 SAFE WATER SERIES

As of December 31, 2004, there was \$45,360,000 of Water Development Revenue Refunding Bonds—1997 Safe Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 6.00%	2005-2007	\$ 13,430,000	31,930,000	45,360,000
	Add: unamortized premium		—	657,210	657,210
	Less: deferred loss		—	(1,742,604)	(1,742,604)
			\$ 13,430,000	30,844,606	44,274,606

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The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2005	\$	2,376,050	13,430,000
2006		1,626,056	17,335,000
2007		659,250	14,595,000
Total	\$	<u>4,661,356</u>	<u>45,360,000</u>

The 1997 Safe Water Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of project costs from Safe Water projects, including interest, in addition to all moneys and investments in the Safe Water Refunding Group, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as 1997 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

A pro rata portion of amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on June 1, 1997, (1) a sum which, when added to any available balance then on deposit in the Debt service account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.
- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value of one-half the average annual service charges remaining to be paid on the outstanding 1997 Safe Water Refunding Bonds.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

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(16) WATER DEVELOPMENT REVENUE REFUNDING BONDS—PURE WATER REFUNDING AND IMPROVEMENT SERIES

As of December 31, 2004, there was \$40,965,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.75%	2005–2006	\$ 5,810,000	5,585,000	11,395,000
Term	5.50% to 6.00%	2007–2013	–	29,570,000	29,570,000
			<hr/>	<hr/>	<hr/>
			5,810,000	35,155,000	40,965,000
	Less: unamortized discount		–	(1,588,633)	(1,588,633)
			<hr/>	<hr/>	<hr/>
			\$ 5,810,000	33,566,367	39,376,367
			<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Not included in the above amounts is \$55,610,000 of bonds remaining outstanding, which the Authority defeased in 1992. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,227,375	5,810,000
2006	1,895,025	5,585,000
2007	1,571,125	5,665,000
2008	1,314,775	-
2009	1,228,013	6,115,000
2010–2013	1,803,588	17,790,000
Total	<hr/> <hr/>	<hr/> <hr/>
	\$ 10,039,901	40,965,000

The term bonds are subject to mandatory redemption beginning June 1, 2007. Both the term and serial bonds maturing on or after June 1, 2003 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2002, or on any interest payment thereafter at par plus accrued interest plus a premium of 2%, which diminishes to zero by December 1, 2004.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for seven separate accounts designated as Pure Water Refunding Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Other Projects account and Rebate account. As of October 14, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.

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- b) To the Debt Service account on the first day of each May and November, commencing May 1, 1993, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue accounts (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(17) WATER DEVELOPMENT REVENUE REFUNDING BONDS—PURE WATER REFUNDING SERIES 2002A

As of December 31, 2004, there was \$64,175,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding Series 2002A outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2005–2008	\$ 23,345,000	40,830,000	64,175,000
	Add: unamortized premium		–	1,783,249	1,783,249
	Less: deferred loss		–	(3,152,655)	(3,152,655)
			<u>\$ 23,345,000</u>	<u>39,460,594</u>	<u>62,805,594</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,637,075	23,345,000
2006	1,469,825	13,890,000
2007	937,675	23,505,000
2008	85,875	3,435,000
Total	<u>\$ 5,130,450</u>	<u>64,175,000</u>

The 2002A Pure Water Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

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The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002A Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing November 1, 2002, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue accounts (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(18) WATER DEVELOPMENT REVENUE REFUNDING VARIABLE RATE BONDS—PURE WATER REFUNDING SERIES 2002B

As of December 31, 2004, there was \$108,000,000 of Water Development Revenue Refunding Variable Rate Bonds—Pure Water Refunding Series 2002B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	Variable	2006–2018	\$ 108,000,000
		Less: deferred loss	<u>(6,669,585)</u>
			<u>\$ 101,330,415</u>

The Pure Water Refunding Series 2002B Bonds have an adjustable interest rate that is reset weekly at a rate determined by the remarketing agent. The rate for these notes at December 31, 2004 was 1.95%.

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On December 1, 2002, the Authority entered into a sixteen-year interest rate swap agreement for \$108,000,000 of its Pure Water Refunding Series 2002B Bonds (Series 2002B Bonds). As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the Pure Water Refunding Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a \$3,010,263 swap exercise fee from the BSFP when the swap was executed. The purpose of the swap was to allow the Authority to issue synthetic fixed rate debt to achieve a 5% savings on a current refunding of a portion of its Pure Water Refunding and Improvement Series Bonds. As of December 31, 2004, the swap had a negative fair value of \$7,904,633, which was calculated using the Par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2004, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard and Poor's as of December 31, 2004.
- b) Basis risk: As of December 31, 2004, the Authority was not exposed to basis risk as the interest rate on the swap was equal to the rate on the Series 2002B Bonds. Should the rate on the Series 2002B Bonds be changed to anything other than weekly rate period, the expected savings of the swap transaction may not be realized.
- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. Should the swap be terminated, the Authority would either require BSFP to assign its obligations under the swap to a substitute counterparty or be exposed to variable rate interest on the Series 2002B Bonds. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

The debt service requirements to maturity based on the swap fixed rate of 4.55% are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 4,914,000	-
2006	4,914,000	7,900,000
2007	4,550,000	500,000
2008	4,527,250	500,000
2009	4,288,375	18,700,000
2010-2014	69,200,000	69,200,000
2015-2018	11,200,000	11,200,000
Total	\$ <u>103,593,625</u>	<u>108,000,000</u>

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

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The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002B Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing November 1, 2006, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(19) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—STATE MATCH SERIES 1995

As of December 31, 2004, there was \$15,760,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.20% to 6.50%	2005–2007	\$ 5,525,000	10,235,000	15,760,000
	Add: unamortized premium		–	30,676	30,676
			\$ 5,525,000	10,265,676	15,790,676

Not included in the above amounts is \$23,405,000 of bonds remaining outstanding, which the Authority defeased in 2001. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

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The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2005	\$	805,625	5,525,000
2006		467,495	5,280,000
2007		195,835	4,955,000
Total	\$	<u>1,468,955</u>	<u>15,760,000</u>

The serial bonds maturing on or after June 1, 2006 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2005, at par plus accrued interest plus a premium of 1%, which diminishes to zero by June 1, 2007.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2004, a rebate payable of \$275,096 has been accrued for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

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(20) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—STATE MATCH SERIES 2000

As of December 31, 2004, there was \$51,710,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 2000 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.00% to 5.50%	2005–2021	\$ 6,860,000	44,850,000	51,710,000
	Add: unamortized premium		—	191,478	191,478
			<u>\$ 6,860,000</u>	<u>45,041,478</u>	<u>51,901,478</u>

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,684,056	6,860,000
2006	2,314,319	6,275,000
2007	1,978,544	5,570,000
2008	1,683,194	5,310,000
2009	1,387,981	4,930,000
2010–2014	4,205,133	14,025,000
2015–2019	1,286,873	7,490,000
2020–2021	67,375	1,250,000
Total	<u>\$ 15,607,475</u>	<u>51,710,000</u>

The bonds maturing on or before June 1, 2010 are not subject to prior redemption. The bonds maturing on or after December 1, 2010 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2010, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2004, a rebate payable of \$257,793 has been accrued for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority

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to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(21) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—STATE MATCH SERIES 2001

As of December 31, 2004, there was \$49,165,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2001 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.50% to 5.25%	2005–2016	\$ 4,955,000	44,210,000	49,165,000
	Add: unamortized premium		–	1,700,097	1,700,097
	Less: deferred loss		–	(3,447,488)	(3,447,488)
			<u>\$ 4,955,000</u>	<u>42,462,609</u>	<u>47,417,609</u>

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 2,276,614	4,955,000
2006	2,068,095	4,545,000
2007	1,846,220	4,120,000
2008	1,588,720	8,225,000
2009	1,207,945	7,245,000
2010–2014	2,055,005	19,280,000
2015–2016	29,383	795,000
Total	<u>\$ 11,071,982</u>	<u>49,165,000</u>

The bonds maturing on or before December 1, 2012 are not subject to prior redemption. The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

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The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(22) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 1995

As of December 31, 2004, there was \$5,010,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1995 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
Serial	6.00%	2005	\$ 5,010,000
	Add: unamortized premium		28,025
			\$ 5,038,025

Not included in the above amounts is \$165,395,000 of bonds remaining outstanding, which the Authority defeased in 2003. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 150,300	5,010,000

The 1995 Water Quality Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

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(23) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 1997

As of December 31, 2004, there was \$117,815,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 5.50%	2005-2016	\$ 6,885,000	67,430,000	74,315,000
Term	5.125%	2016-2019	—	43,500,000	43,500,000
			6,885,000	110,930,000	117,815,000
Less: unamortized discount			—	(1,006,769)	(1,006,769)
			\$ 6,885,000	109,923,231	116,808,231

Not included in the above amounts is \$65,300,000 of bonds remaining outstanding, which the Authority defeased in 2004. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 9,393,369	6,885,000
2006	9,045,875	7,850,000
2007	8,620,363	8,930,000
2008	8,136,050	10,135,000
2009	4,116,375	11,430,000
2010–2014	17,018,625	6,220,000
2015–2019	7,161,003	66,365,000
Total	\$ 63,491,660	117,815,000

The bonds maturing on or after June 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2007, at par plus accrued interest plus a premium of 1%, which diminishes to zero by December 1, 2009.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt

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Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(24) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2002

As of December 31, 2004, there was \$192,775,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2002 outstanding, as follows:

Type	Interest Rate	Maturity	Current	Long-Term	Total
Serial	3.00% to 5.25%	2005–2023	\$ 370,000	192,405,000	192,775,000
	Add: unamortized premium		–	3,401,863	3,401,863
			\$ 370,000	195,806,863	196,176,863

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 9,833,670	370,000
2006	9,815,970	995,000
2007	9,781,520	1,330,000
2008	9,732,608	1,645,000
2009	9,669,695	1,985,000
2010–2014	46,088,150	24,000,000
2015–2019	33,365,288	92,100,000
2020–2023	6,032,908	70,350,000
Total	\$ 134,319,809	192,775,000

The bonds maturing on or after June 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, at par plus accrued interest.

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LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(25) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2003

As of December 31, 2004, there was \$161,225,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2003 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.25%	2005–2015	\$ 5,490,000	155,735,000	161,225,000
	Add: unamortized premium		–	15,683,293	15,683,293
	Less: deferred loss		–	(14,687,699)	(14,687,699)
			<u>\$ 5,490,000</u>	<u>156,730,594</u>	<u>162,220,594</u>

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 7,766,800	5,490,000
2006	7,435,888	11,660,000
2007	6,894,863	12,955,000
2008	6,358,738	14,390,000
2009	5,618,238	16,065,000
2010–2014	15,336,963	87,285,000
2015	526,838	13,380,000
Total	\$ 49,938,328	161,225,000

The 2003 Water Quality Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

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(26) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2004

As of December 31, 2004, there was \$508,670,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2005–2025	\$ 7,145,000	501,525,000	508,670,000
	Add: unamortized premium		–	39,014,362	39,014,362
			<u>\$ 7,145,000</u>	<u>540,539,362</u>	<u>547,684,362</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 24,565,220	7,145,000
2006	24,004,270	12,955,000
2007	23,444,745	15,060,000
2008	22,924,308	21,375,000
2009	22,242,995	19,605,000
2010–2014	92,759,415	141,535,000
2015–2019	55,442,250	151,950,000
2020–2024	19,149,750	130,105,000
2025	223,500	8,940,000
Total	<u>\$ 284,756,453</u>	<u>508,670,000</u>

The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking

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fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(27) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2004

As of December 31, 2004, there was \$63,655,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	2.50% to 5.00%	2005–2014	\$ 63,655,000
	Add: unamortized premium		7,723,574
	Less: deferred loss		<u>(5,065,296)</u>
			<u>\$ 66,313,278</u>

The Water Quality Series 2004 Bonds were issued to advance refund \$65,300,000 of the Water Quality Series 1997 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2004 in the amount of \$5,065,296, the Authority in effect reduced its aggregate debt service payments for a total economic gain of \$3,519,454.

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
	2005	\$ 3,182,750	-
	2006	3,182,750	-
	2007	3,182,750	-
	2008	3,182,750	-
	2009	3,182,750	-
	2010–2014	<u>8,143,625</u>	<u>63,655,000</u>
	Total	<u>\$ 24,057,375</u>	<u>63,655,000</u>

The 2004 Water Quality Refunding Series Bonds are not subject to mandatory or optional redemption prior to maturity.

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LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(28) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2002

As of December 31, 2004, there was \$25,035,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2005–2021	\$	2,300,000	22,620,000	24,920,000
Term	5.00%	2022–2023		–	115,000	115,000
				2,300,000	22,735,000	25,035,000
	Less: unamortized discount			–	(24,577)	(24,577)
			\$	2,300,000	22,710,423	25,010,423

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 1,014,256	2,300,000
2006	944,375	2,230,000
2007	871,872	2,150,000
2008	791,494	2,075,000
2009	703,869	2,005,000
2010–2014	2,386,913	8,495,000
2015–2019	789,663	5,010,000
2020–2023	50,875	770,000
Total	\$ <u>7,553,317</u>	<u>25,035,000</u>

The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of interest only, not the principal, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(29) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2004

As of December 31, 2004, there was \$33,345,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2005–2013	\$ 755,000	18,775,000	19,530,000
Term	4.25% to 5.00%	2014–2025	–	13,815,000	13,815,000
			755,000	32,590,000	33,345,000
	Add: unamortized premium		–	2,269,544	2,269,544
			\$ 755,000	34,859,544	35,614,544

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 1,423,150	755,000
2006	1,404,400	2,095,000
2007	1,350,200	2,615,000
2008	1,269,638	2,520,000
2009	1,144,263	2,470,000
2010–2014	4,077,338	11,080,000
2015–2019	1,782,594	8,070,000
2020–2024	360,825	3,605,000
2025	3,931	135,000
Total	\$ 12,816,339	33,345,000

The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of interest only, not the principal, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

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Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(30) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2002

As of December 31, 2004, there was \$58,710,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.000% to 5.375%	2005–2013	\$	1,070,000	16,720,000	17,790,000
Term	5.00% to 5.50%	2014–2023		–	40,920,000	40,920,000
				1,070,000	57,640,000	58,710,000
	Add: unamortized premium			–	1,344,136	1,344,136
			\$	1,070,000	58,984,136	60,054,136

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2005	\$ 2,943,913	1,070,000
2006	2,909,863	1,250,000
2007	2,865,769	1,450,000
2008	2,811,406	1,660,000
2009	2,761,006	1,915,000
2010–2014	12,214,938	13,865,000
2015–2019	7,531,475	24,060,000
2020–2023	1,146,325	13,440,000
Total	\$ 35,184,695	58,710,000

The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(31) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2004

As of December 31, 2004, there was \$66,145,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	2.00% to 3.00%	2006–2013	\$ 14,485,000
Term	4.50% to 5.00%	2014–2025	<u>51,660,000</u>
			66,145,000
	Add: unamortized premium		<u>3,366,041</u>
			<u>\$ 69,511,041</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,928,600	-
2006	2,928,550	615,000
2007	2,908,988	1,360,000
2008	2,876,200	1,565,000
2009	2,834,819	1,760,000
2010–2014	13,023,450	11,915,000
2015–2019	9,685,838	18,610,000
2020–2024	4,469,669	26,490,000
2025	137,394	3,830,000
Total	<u>\$ 41,793,508</u>	<u>66,145,000</u>

The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2004, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(32) WATER DEVELOPMENT REVENUE BONDS AND NOTES —INDUSTRIAL SERIES

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2004, outstanding bonds and notes under this program total \$2,132,300,000.

(33) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2004, 2003 and 2002 were approximately \$885,000, \$940,000, and \$864,000, respectively.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). The ORC also provides statutory authority for employee and employer contributions. In 2004, the employee and employer contribution rates were 8.50% and 13.31%, respectively, for all Authority employees. Total required employer contributions were approximately \$118,000, \$125,000 and \$115,000 for the years ending December 31, 2004, 2003 and 2002, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-PERS.

Postretirement Healthcare

OPERS provides postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available.

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The ORC provides statutory authority for employer contributions and requires public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer contribution to OPERS is set aside for the funding of postretirement healthcare. For the year ended December 31, 2004, that portion was 5.0% for all Authority employees.

OPEB are advance-funded using entry-age, normal cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0%, an annual increase in total payroll for active employees of 4.0% compounded annually for inflation, and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Healthcare premiums were assumed to increase 4.0% annually.

Net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation on depreciation on investments. The Authority's actuarially required and actual contributions for the OPERS healthcare plan was approximately \$35,400 for the year ending December 31, 2004, covering 19 participants.

(34) COMMITMENTS

As of December 31, 2004, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 8,781,309
Rural Utility Services	4,354,128
Community Assistance	9,274,661
Fresh Water	82,797,610
Pure Water Refunding	79,938
Water Pollution Control Loan	590,551,888
Drinking Water Assistance	84,061,245
	<u>\$ 779,900,779</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Loan commitments consist of loan awards that have been encumbered by the Authority but not yet disbursed to the LGAs. The Authority intends to meet these LGA commitments with currently available funds and grant commitments from the U.S. EPA.

(35) TRANSFERS

Interfund transfers for the year ended December 31, 2004 consisted of the following:

Transfer to Operating from:	
Pure Water Refunding	\$ 322,600
Transfer from Working Capital to:	
Refunding	\$ (709,685)
Transfers to (from) Other Projects from (to):	
Rural Utility Services	(5,520,001)
Fresh Water	3,142,304
Refunding	(3,431,864)
Safe Water	(1,713,373)
Pure Water Refunding	(2,107,534)
Water Pollution Control Loan Fund	(147,152)
	\$ (9,777,620)
Transfers to Rural Utility Services from:	
Other Projects	\$ 5,520,001
Transfers to (from) Fresh Water from (to):	
Other Projects	(3,142,304)
Refunding	(1,260,794)
Safe Water Refunding	7,284,680
Pure Water Refunding	(7,069,505)
	\$ (4,187,923)
Transfers to Refunding from:	
Working Capital	709,685
Other Projects	3,431,864
Fresh Water	1,260,794
	\$ 5,402,343
Transfers to (from) Safe Water Refunding from (to):	
Other Projects	1,713,373
Fresh Water	(7,284,680)
	\$ (5,571,307)
Transfers to (from) Pure Water Refunding from (to):	
Operating	(322,600)
Other Projects	2,107,534
Fresh Water	7,069,505
	\$ 8,854,439
Transfers to Water Pollution Control Loan Fund from:	
Other Projects	147,152
Total Transfers, net	\$ —

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2004, the Authority made a transfer of \$322,600 from the Pure Water Fund to the Operating Fund for the renovation of its office building. Additional one-time transfers \$5,520,001 were made from the Other Projects Fund and the Refunding Fund to the Rural Utility Services Fund to the Other Projects Fund to provide additional funding for this program, and \$27,335,000 from the Other Projects Fund and Fresh Water Fund to the Refunding Fund and the Pure Water Fund for the purpose of calling bonds.

(36) SUBSEQUENT EVENT

Since December 31, 2004, the Authority has approved the issuance of additional debt. The Authority has agreed in principal to issue \$219,580,000 in Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 in April 2005. The Authority also has agreed in principal to issue \$105,220,000 in Water Development Refunding Revenue Bonds—Fresh Water Series 2005A in April 2005. As these bonds will not be issued until 2005, they are not included in the long-term debt of the Authority as of December 31, 2004.

**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 134,582	6,012	205,617	508,913	7,147,354
Investments	15,159,772	1,627,537	5,820,164	8,022,275	19,223,633
Loan receivables	-	-	-	729,495	580,891
Total current assets	15,294,354	1,633,549	6,025,781	9,260,683	26,951,878
Noncurrent assets:					
Investments	-	-	500,000	-	7,506,818
Loan receivables	-	-	-	6,064,645	9,853,241
Total noncurrent assets	-	-	500,000	6,064,645	17,360,059
 Total assets	 \$ 15,294,354	 1,633,549	 6,525,781	 15,325,328	 44,311,937
 <u>Liabilities</u>					
Current liabilities:					
Accounts payable	-	-	172,620	-	-
Total liabilities	-	-	172,620	-	-
 <u>Net Assets</u>					
Restricted for debt and grant covenants	-	-	-	-	-
Unrestricted	15,294,354	1,633,549	6,353,161	15,325,328	44,311,937
Total net assets	15,294,354	1,633,549	6,353,161	15,325,328	44,311,937
Total liabilities and net assets	\$ 15,294,354	1,633,549	6,525,781	15,325,328	44,311,937

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
2,327,272	316,106	5,699,770	1,140,424	5,036,301	152,663	22,675,014
3,071	5,033,587	83,752	740,770	8,219	20,512,736	76,235,516
124,325	-	-	10,373	7,021	-	1,452,105
<u>2,454,668</u>	<u>5,349,693</u>	<u>5,783,522</u>	<u>1,891,567</u>	<u>5,051,541</u>	<u>20,665,399</u>	<u>100,362,635</u>
-	-	3,388,813	151,467	-	-	11,547,098
933,948	-	-	369,194	181,027	-	17,402,055
<u>933,948</u>	<u>-</u>	<u>3,388,813</u>	<u>520,661</u>	<u>181,027</u>	<u>-</u>	<u>28,949,153</u>
<u><u>3,388,616</u></u>	<u><u>5,349,693</u></u>	<u><u>9,172,335</u></u>	<u><u>2,412,228</u></u>	<u><u>5,232,568</u></u>	<u><u>20,665,399</u></u>	<u><u>129,311,788</u></u>
45,621	-	-	-	15,871	-	234,112
<u>45,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,871</u>	<u>-</u>	<u>234,112</u>
-	-	-	-	-	-	-
3,342,995	5,349,693	9,172,335	2,412,228	5,216,697	20,665,399	129,077,676
<u>3,342,995</u>	<u>5,349,693</u>	<u>9,172,335</u>	<u>2,412,228</u>	<u>5,216,697</u>	<u>20,665,399</u>	<u>129,077,676</u>
<u><u>3,388,616</u></u>	<u><u>5,349,693</u></u>	<u><u>9,172,335</u></u>	<u><u>2,412,228</u></u>	<u><u>5,232,568</u></u>	<u><u>20,665,399</u></u>	<u><u>129,311,788</u></u>

**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusted Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating revenues:					
Loan income	\$ -	-	-	383,928	256,183
Investment income	204,111	1,049	80,307	122,835	298,848
Total operating revenues	204,111	1,049	80,307	506,763	555,031
Operating expenses:					
Other	25,643	-	1,015,122	10,913	16,401
Total operating expenses	25,643	-	1,015,122	10,913	16,401
Operating income (loss)	178,468	1,049	(934,815)	495,850	538,630
Transfers in (out), net	(1,905,252)	1,632,500	1,000,000	(3,256,000)	7,295,000
Change in net assets	(1,726,784)	1,633,549	65,185	(2,760,150)	7,833,630
Net assets at beginning of year	17,021,138	-	6,287,976	18,085,478	36,478,307
Net assets at end of year	\$ 15,294,354	1,633,549	6,353,161	15,325,328	44,311,937

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
-	-	-	21,165	3,826	-	665,102
<u>18,635</u>	<u>62,495</u>	<u>182,255</u>	<u>15,418</u>	<u>63,681</u>	<u>261,923</u>	<u>1,311,557</u>
18,635	62,495	182,255	36,583	67,507	261,923	1,976,659
<u>1,000</u>	<u>6,495</u>	<u>3,504</u>	<u>13,877</u>	<u>1,500</u>	<u>22,212</u>	<u>1,116,667</u>
1,000	6,495	3,504	13,877	1,500	22,212	1,116,667
<u>17,635</u>	<u>56,000</u>	<u>178,751</u>	<u>22,706</u>	<u>66,007</u>	<u>239,711</u>	<u>859,992</u>
<u>-</u>	<u>63,818</u>	<u>(2,835,000)</u>	<u>(8,948,000)</u>	<u>-</u>	<u>(2,824,686)</u>	<u>(9,777,620)</u>
17,635	119,818	(2,656,249)	(8,925,294)	66,007	(2,584,975)	(8,917,628)
<u>3,325,360</u>	<u>5,229,875</u>	<u>11,828,584</u>	<u>11,337,522</u>	<u>5,150,690</u>	<u>23,250,374</u>	<u>137,995,304</u>
<u>3,342,995</u>	<u>5,349,693</u>	<u>9,172,335</u>	<u>2,412,228</u>	<u>5,216,697</u>	<u>20,665,399</u>	<u>129,077,676</u>

OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating activities:					
Operating expenses	\$ (25,643)	-	(25,715)	(10,913)	(16,401)
Net cash (used) by operating activities	(25,643)	-	(25,715)	(10,913)	(16,401)
Investing activities:					
Proceeds from maturity or sale of investments	26,318,297	-	6,875,424	12,088,230	9,000,000
Purchase of investments	(24,578,434)	(1,626,488)	(7,237,631)	(10,828,749)	(25,378,287)
Interest received on investments, net of purchased interest	248,764	-	95,085	134,178	475,970
Interest received on projects	-	-	-	398,510	266,364
Principal collected on projects	-	-	-	511,649	3,377,640
Payment for construction of projects	-	-	(842,563)	-	(2,104,328)
Net cash provided (used) by investing activities	1,988,627	(1,626,488)	(1,109,685)	2,303,818	(14,362,641)
Noncapital financing activities:					
Transfers (to) from other funds	(1,905,251)	1,632,500	1,000,000	(3,256,000)	7,295,000
Net cash provided (used) by noncapital financing activities	(1,905,251)	1,632,500	1,000,000	(3,256,000)	7,295,000
Net increase (decrease) in cash and cash equivalents	57,733	6,012	(135,400)	(963,095)	(7,084,042)
Cash and cash equivalents at beginning of year	76,849	-	341,017	1,472,008	14,231,396
Cash and cash equivalents at end of year	\$ 134,582	6,012	205,617	508,913	7,147,354
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	178,468	1,049	(934,815)	495,850	538,630
Adjustments:					
Investment income	(204,111)	(1,049)	(80,307)	(122,835)	(298,848)
Operating expenses	-	-	989,407	-	-
Loan income	-	-	-	(383,928)	(256,183)
Net cash (used) by operating activities	\$ (25,643)	-	(25,715)	(10,913)	(16,401)

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
(1,000)	(6,495)	(3,504)	(13,877)	(1,500)	(22,212)	(127,260)
(1,000)	(6,495)	(3,504)	(13,877)	(1,500)	(22,212)	(127,260)
-	6,946,522	49,272	12,116,085	-	37,542,346	110,936,176
-	(7,059,613)	(1,250,000)	(3,113,317)	-	(34,937,943)	(116,010,462)
16,507	60,941	167,722	154,605	59,779	261,073	1,674,624
-	-	-	21,165	1,925	-	687,964
576,690	-	-	19,942	2,523	-	4,488,444
(303,200)	-	-	-	-	-	(3,250,091)
289,997	(52,150)	(1,033,006)	9,198,480	64,227	2,865,476	(1,473,345)
-	63,818	(2,835,000)	(8,948,000)	-	(2,824,685)	(9,777,618)
-	63,818	(2,835,000)	(8,948,000)	-	(2,824,685)	(9,777,618)
288,997	5,173	(3,871,510)	236,603	62,727	18,579	(11,378,223)
2,038,275	310,933	9,571,280	903,821	4,973,574	134,084	34,053,237
<u>2,327,272</u>	<u>316,106</u>	<u>5,699,770</u>	<u>1,140,424</u>	<u>5,036,301</u>	<u>152,663</u>	<u>22,675,014</u>
17,635	56,000	178,751	22,706	66,007	239,711	859,992
(18,635)	(62,495)	(182,255)	(15,418)	(63,681)	(261,923)	(1,311,557)
-	-	-	-	-	-	989,407
-	-	-	(21,165)	(3,826)	-	(665,102)
<u>(1,000)</u>	<u>(6,495)</u>	<u>(3,504)</u>	<u>(13,877)</u>	<u>(1,500)</u>	<u>(22,212)</u>	<u>(127,260)</u>

**OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusted Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
<u>Assets</u>			
Noncurrent assets:			
Restricted note covenant assets:			
Cash and Cash Equivalents	\$ -	1	893,279
Investments	-	-	1,457
Loan receivables	466,375	2,877,447	7,128,108
Total restricted assets	466,375	2,877,448	8,022,844
Deferred note issuance expense	-	-	-
Total assets	\$ 466,375	2,877,448	8,022,844
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Accounts payable	-	-	-
Total current liabilities payable from restricted assets	-	-	-
Noncurrent liabilities:			
Water Development Revenue Notes:			
Rural Development Series 2003 & 2004	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	-	-
 <u>Net Assets</u>			
Restricted for debt and grant covenants	466,375	2,877,448	8,022,844
Unrestricted	-	-	-
Total net assets	466,375	2,877,448	8,022,844
Total liabilities and net assets	\$ 466,375	2,877,448	8,022,844

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
7,961,710	15,372,712	24,227,702
11,099	30,572	43,128
<u>22,583,449</u>	<u>1,501,639</u>	<u>34,557,018</u>
<u>30,556,258</u>	<u>16,904,923</u>	<u>58,827,848</u>
57,469	85,367	142,836
<u>30,613,727</u>	<u>16,990,290</u>	<u>58,970,684</u>
32,907	22,907	55,814
<u>602,800</u>	<u>993,959</u>	<u>1,596,759</u>
635,707	1,016,866	1,652,573
<u>22,985,000</u>	<u>16,000,000</u>	<u>38,985,000</u>
<u>22,985,000</u>	<u>16,000,000</u>	<u>38,985,000</u>
<u>23,620,707</u>	<u>17,016,866</u>	<u>40,637,573</u>
6,993,020	(26,576)	18,333,111
-	-	-
<u>6,993,020</u>	<u>(26,576)</u>	<u>18,333,111</u>
<u>30,613,727</u>	<u>16,990,290</u>	<u>58,970,684</u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
	1999	2000	2002
Operating revenues:			
Loan income	\$ -	47,267	172,277
Investment income	712	2,759	13,661
Total operating revenues	712	50,026	185,938
Operating expenses:			
Interest on notes	-	-	-
Amortization of note issuance expense	-	-	-
Other	-	-	-
Total operating expenses	-	-	-
Operating income (loss)	712	50,026	185,938
Transfers in (out), net	(146,907)	(2,174,440)	(6,860,381)
Change in net assets	(146,195)	(2,124,414)	(6,674,443)
Net assets at beginning of year	612,570	5,001,862	14,697,287
Net assets at end of year	\$ 466,375	2,877,448	8,022,844

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
192,729	1,238	413,511
138,918	69,316	225,366
<u>331,647</u>	<u>70,554</u>	<u>638,877</u>
296,109	69,447	365,556
53,052	7,761	60,813
128,139	19,922	148,061
<u>477,300</u>	<u>97,130</u>	<u>574,430</u>
<u>(145,653)</u>	<u>(26,576)</u>	<u>64,447</u>
14,701,729	-	5,520,001
<u>14,556,076</u>	<u>(26,576)</u>	<u>5,584,448</u>
<u>(7,563,056)</u>	<u>-</u>	<u>12,748,663</u>
<u><u>6,993,020</u></u>	<u><u>(26,576)</u></u>	<u><u>18,333,111</u></u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
	<u>1999</u>	<u>2000</u>	<u>2002</u>
Operating activities:			
Operating expenses	\$ -	-	-
Net cash (used) by operating activities	-	-	-
Investing activities:			
Interest received on investments, net of purchased interest	839	3,251	14,181
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	(1,397,877)
Net cash provided (used) by investing activities	<u>839</u>	<u>3,251</u>	<u>(1,383,696)</u>
Noncapital financing activities:			
Note issuance expense	-	-	-
Proceeds of notes	-	-	-
Interest paid on notes, net of purchased interest	-	-	-
Redemption of notes	-	-	-
Transfers (to) from other funds	<u>(146,907)</u>	<u>(569,286)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(146,907)</u>	<u>(569,286)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(146,068)	(566,035)	(1,383,696)
Cash and cash equivalents at beginning of year	146,068	566,036	2,276,975
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>1</u>	<u>893,279</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	712	50,026	185,938
Adjustments:			
Investment income	(712)	(2,759)	(13,661)
Interest on notes	-	-	-
Loan income	-	(47,267)	(172,277)
Amortization of note issuance expense	-	-	-
Net cash (used) by operating activities	<u>\$ -</u>	<u>-</u>	<u>-</u>

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
(128,139)	(19,922)	(148,061)
(128,139)	(19,922)	(148,061)
143,275	38,743	200,289
8,465,535	-	8,465,535
(20,150,560)	(506,442)	(22,054,879)
(11,541,750)	(467,699)	(13,389,055)
-	(93,128)	(93,128)
-	16,000,000	16,000,000
(288,526)	(46,539)	(335,065)
(3,715,000)	-	(3,715,000)
6,236,193	-	5,520,000
2,232,667	15,860,333	17,376,807
(9,437,222)	15,372,712	3,839,691
17,398,932	-	20,388,011
7,961,710	15,372,712	24,227,702
(145,653)	(26,576)	64,447
(138,918)	(69,316)	(225,366)
296,109	69,447	365,556
(192,729)	(1,238)	(413,511)
53,052	7,761	60,813
(128,139)	(19,922)	(148,061)

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 16,419,337	6,471,450	22,890,787
Investments	4,280,988	45,776,002	50,056,990
Loan receivables	131,833,719	4,758,567	136,592,286
Total restricted assets	<u>152,534,044</u>	<u>57,006,019</u>	<u>209,540,063</u>
Other receivables	133,960	-	133,960
Deferred bond issuance expense	521,164	592,699	1,113,863
Total assets	<u>\$ 153,189,168</u>	<u>57,598,718</u>	<u>210,787,886</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	189,562	191,538	381,100
Accounts payable	960,947	1,350,228	2,311,175
Water Development Revenue Bonds:			
Community Assistance Series 1997 & 2003	1,975,000	1,100,000	3,075,000
Total current liabilities payable from restricted assets	<u>3,125,509</u>	<u>2,641,766</u>	<u>5,767,275</u>
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Community Assistance Series 1997 & 2003, net of discount and premium	40,647,264	53,638,992	94,286,256
Total noncurrent liabilities	<u>40,647,264</u>	<u>53,638,992</u>	<u>94,286,256</u>
Total liabilities	<u>43,772,773</u>	<u>56,280,758</u>	<u>100,053,531</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	109,416,395	1,317,960	110,734,355
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>109,416,395</u>	<u>1,317,960</u>	<u>110,734,355</u>
Total liabilities and net assets	<u>\$ 153,189,168</u>	<u>57,598,718</u>	<u>210,787,886</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
Operating revenues:			
Loan income	\$ 2,449,155	26,711	2,475,866
Investment income	506,550	980,704	1,487,254
Total operating revenues	2,955,705	1,007,415	3,963,120
Operating expenses:			
Interest on bonds	2,304,540	2,200,937	4,505,477
Amortization of bond issuance expense	26,058	22,796	48,854
Other	3,287	-	3,287
Total operating expenses	2,333,885	2,223,733	4,557,618
Operating income (loss)	621,820	(1,216,318)	(594,498)
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before transfers	621,820	(1,216,318)	(594,498)
Transfers in (out), net	(2,656,436)	2,656,436	-
Change in net assets	(2,034,616)	1,440,118	(594,498)
Net assets at beginning of year	111,451,011	(122,158)	111,328,853
Net assets at end of year	\$ 109,416,395	1,317,960	110,734,355

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusted Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
Operating activities:			
Operating expenses	\$ (3,287)	-	(3,287)
Net cash (used) by operating activities	(3,287)	-	(3,287)
Investing activities:			
Proceeds from maturity or sale of investments	450,473,315	5,060,621	455,533,936
Purchase of investments	(424,315,047)	(50,721,717)	(475,036,764)
Interest received on investments, net of purchased interest	632,229	884,729	1,516,958
Interest received on projects	2,166,547	1,338	2,167,885
Principal collected on projects	5,110,700	2,521	5,113,221
Payment for construction of projects	(17,266,851)	(3,385,486)	(20,652,337)
Net cash provided (used) by investing activities	16,800,893	(48,157,994)	(31,357,101)
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(2,338,760)	(2,255,755)	(4,594,515)
Bond issuance expense	-	(76,318)	(76,318)
Redemption of bonds	(1,890,000)	(515,000)	(2,405,000)
Transfers (to) from other funds	(2,656,435)	2,656,435	-
Net cash (used) by noncapital financing activities	(6,885,195)	(190,638)	(7,075,833)
Net increase (decrease) in cash and cash equivalents	9,912,411	(48,348,632)	(38,436,221)
Cash and cash equivalents at beginning of year	6,506,926	54,820,082	61,327,008
Cash and cash equivalents at end of year	\$ 16,419,337	6,471,450	22,890,787
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	621,820	(1,216,318)	(594,498)
Adjustments:			
Investment income	(506,550)	(980,704)	(1,487,254)
Interest on bonds	2,304,540	2,200,937	4,505,477
Loan income	(2,449,155)	(26,711)	(2,475,866)
Amortization of bond issuance expense	26,058	22,796	48,854
Net cash (used) by operating activities	\$ (3,287)	-	(3,287)

**OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusted Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 17,916,649	14,282,533	20,197,180
Investments	2,009,747	29,934,101	4,552,656
Loan receivables	115,941,823	97,316,399	137,096,381
Total restricted assets	135,868,219	141,533,033	161,846,217
Other receivables	-	177,659	909,281
Deferred bond issuance expense	-	82,549	1,224,675
Due from other funds	-	-	-
Total assets	\$ 135,868,219	141,793,241	163,980,173
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	13,410	513,987
Accounts payable	1,448	552,618	317,045
Water Development Revenue Bonds:			
Fresh Water Series 1995 (net of discount) - 2004	-	2,979,075	6,055,000
Total current liabilities payable from restricted assets	1,448	3,545,103	6,886,032
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Fresh Water Series 1998 - 2004, net of premiums and deferred loss	-	-	114,894,473
Total noncurrent liabilities	-	-	114,894,473
Total liabilities	1,448	3,545,103	121,780,505
 <u>Net Assets</u>			
Restricted for debt and grant covenants	135,866,771	138,248,138	42,199,668
Unrestricted	-	-	-
Total net assets	135,866,771	138,248,138	42,199,668
Total liabilities and net assets	\$ 135,868,219	141,793,241	163,980,173

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	Fund Total
5,176,666	1,821,473	10,584,159	69,978,660
3,972,772	23,778,547	125,493,475	189,741,298
21,440,357	93,003,540	16,652,089	481,450,589
<u>30,589,795</u>	<u>118,603,560</u>	<u>152,729,723</u>	<u>741,170,547</u>
-	-	-	1,086,940
795,881	809,373	1,124,314	4,036,792
-	3,000	-	3,000
<u>31,385,676</u>	<u>119,415,933</u>	<u>153,854,037</u>	<u>746,297,279</u>
331,209	416,623	592,488	1,867,717
215,488	3,499,964	829,846	5,416,409
<u>665,000</u>	<u>3,295,000</u>	<u>2,130,000</u>	<u>15,124,075</u>
1,211,697	7,211,587	3,552,334	22,408,201
74,495,712	102,289,258	149,093,751	440,773,194
<u>74,495,712</u>	<u>102,289,258</u>	<u>149,093,751</u>	<u>440,773,194</u>
75,707,409	109,500,845	152,646,085	463,181,395
(44,321,733)	9,915,088	1,207,952	283,115,884
-	-	-	-
<u>(44,321,733)</u>	<u>9,915,088</u>	<u>1,207,952</u>	<u>283,115,884</u>
<u>31,385,676</u>	<u>119,415,933</u>	<u>153,854,037</u>	<u>746,297,279</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating revenues:			
Loan income	\$ 7,177,703	5,949,649	7,324,320
Investment income	346,717	674,188	552,362
Total operating revenues	7,524,420	6,623,837	7,876,682
Operating expenses:			
Interest on bonds	-	314,675	6,113,007
Amortization of bond issuance expense	-	82,549	64,456
Other	19,768	35,756	45,466
Total operating expenses	19,768	432,980	6,222,929
Operating income (loss)	7,504,652	6,190,857	1,653,753
Nonoperating other revenues (expenses)	(6,501)	1,632,500	-
Income (loss) before transfers	7,498,151	7,823,357	1,653,753
Transfers in (out), net	(11,738,131)	(4,788,682)	(194,015)
Change in net assets	(4,239,980)	3,034,675	1,459,738
Net assets at beginning of year	140,106,751	135,213,463	40,739,930
Net assets at end of year	\$ 135,866,771	138,248,138	42,199,668

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	Fund Total
1,175,874	3,406,048	200,765	25,234,359
<u>125,222</u>	<u>538,203</u>	<u>1,541,603</u>	<u>3,778,295</u>
1,301,096	3,944,251	1,742,368	29,012,654
3,862,623	4,450,126	4,080,691	18,821,122
37,899	35,190	18,739	238,833
<u>22,026</u>	<u>19,096</u>	<u>26,624</u>	<u>168,736</u>
3,922,548	4,504,412	4,126,054	19,228,691
<u>(2,621,452)</u>	<u>(560,161)</u>	<u>(2,383,686)</u>	<u>9,783,963</u>
-	-	-	1,625,999
<u>(2,621,452)</u>	<u>(560,161)</u>	<u>(2,383,686)</u>	<u>11,409,962</u>
<u>3,157,619</u>	<u>5,783,648</u>	<u>3,591,638</u>	<u>(4,187,923)</u>
536,167	5,223,487	1,207,952	7,222,039
<u>(44,857,900)</u>	<u>4,691,601</u>	<u>-</u>	<u>275,893,845</u>
<u>(44,321,733)</u>	<u>9,915,088</u>	<u>1,207,952</u>	<u>283,115,884</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating activities:			
Operating expenses	\$ (14,778)	(31,524)	(45,466)
Net cash (used) by operating activities	(14,778)	(31,524)	(45,466)
Investing activities:			
Proceeds from maturity or sale of investments	61,803	9,454,663	4,772,000
Purchase of investments	-	(27,271,604)	(4,539,000)
Interest received on investments, net of purchased interest	339,068	794,111	540,062
Interest received on projects	6,286,259	5,448,245	6,773,815
Principal collected on projects	4,782,480	6,445,602	6,250,450
Payment for construction of projects	(2,084,866)	(3,571,626)	(6,342,056)
Net cash provided (used) by investing activities	9,384,744	(8,700,609)	7,455,271
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(332,233)	(6,338,338)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	(4,210,000)	(4,530,000)
Transfers (to) from other funds	(11,738,130)	(3,156,182)	(194,014)
Net cash provided (used) by noncapital financing activities	(11,738,130)	(7,698,415)	(11,062,352)
Net increase (decrease) in cash and cash equivalents	(2,368,164)	(16,430,548)	(3,652,547)
Cash and cash equivalents at beginning of year	20,284,813	30,713,081	23,849,727
Cash and cash equivalents at end of year	\$ 17,916,649	14,282,533	20,197,180
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,504,652	6,190,857	1,653,753
Adjustments:			
Investment income	(346,717)	(674,188)	(552,362)
Operating expenses	4,990	4,232	-
Interest on bonds	-	314,675	6,113,007
Loan income	(7,177,703)	(5,949,649)	(7,324,320)
Amortization of bond issuance expense	-	82,549	64,456
Net cash (used) by operating activities	\$ (14,778)	(31,524)	(45,466)

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	Fund Total
(22,026)	(19,096)	(26,624)	(159,514)
<u>(22,026)</u>	<u>(19,096)</u>	<u>(26,624)</u>	<u>(159,514)</u>
4,113,797	2,214,848,474	634,417,051	2,867,667,788
(8,063,796)	(2,176,675,474)	(759,580,509)	(2,976,130,383)
111,843	532,554	1,211,601	3,529,239
861,369	2,031,610	4,419	21,405,717
682,078	1,828,293	-	19,988,903
<u>(3,235,228)</u>	<u>(42,930,731)</u>	<u>(15,625,897)</u>	<u>(73,790,404)</u>
(5,529,937)	(365,274)	(139,573,335)	(137,329,140)
(3,993,800)	(5,066,894)	(3,633,927)	(19,365,192)
-	-	151,369,474	151,369,474
-	-	(1,143,053)	(1,143,053)
(640,000)	(2,910,000)	-	(12,290,000)
<u>3,157,619</u>	<u>5,783,647</u>	<u>3,591,624</u>	<u>(2,555,436)</u>
(1,476,181)	(2,193,247)	150,184,118	116,015,793
(7,028,144)	(2,577,617)	10,584,159	(21,472,861)
12,204,810	4,399,090	-	91,451,521
<u>5,176,666</u>	<u>1,821,473</u>	<u>10,584,159</u>	<u>69,978,660</u>
(2,621,452)	(560,161)	(2,383,686)	9,783,963
(125,222)	(538,203)	(1,541,603)	(3,778,295)
-	-	-	9,222
3,862,623	4,450,126	4,080,691	18,821,122
(1,175,874)	(3,406,048)	(200,765)	(25,234,359)
37,899	35,190	18,739	238,833
<u>(22,026)</u>	<u>(19,096)</u>	<u>(26,624)</u>	<u>(159,514)</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	1,710,793	1,710,793
Investments	15	1,891	1,906
Loan receivables	17,635,087	-	17,635,087
Total assets	17,635,102	1,712,684	19,347,786
 <u>Net Assets</u>			
Restricted for debt and grant covenants	17,635,102	1,712,684	19,347,786
Unrestricted	-	-	-
Total net assets	17,635,102	1,712,684	19,347,786
Total liabilities and net assets	\$ 17,635,102	1,712,684	19,347,786

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusted Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating revenues:			
Loan income	\$ 1,200,486	-	1,200,486
Investment income	960	108,356	109,316
Total operating revenues	1,201,446	108,356	1,309,802
Operating expenses:			
Interest on bonds	66,740	847,076	913,816
Amortization of bond issuance expense	929,359	-	929,359
Other	7,585	4,254	11,839
Total operating expenses	1,003,684	851,330	1,855,014
Operating income (loss)	197,762	(742,974)	(545,212)
Transfers in (out), net	11,106,474	(5,704,131)	5,402,343
Change in net assets	11,304,236	(6,447,105)	4,857,131
Net assets at beginning of year	6,330,866	8,159,789	14,490,655
Net assets at end of year	\$ 17,635,102	1,712,684	19,347,786

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating activities:			
Operating expenses	\$ -	(4,254)	(4,254)
Net cash (used) by operating activities	-	(4,254)	(4,254)
Investing activities:			
Proceeds from maturity or sale of investments	38,900	22,997,547	23,036,447
Purchase of investments	-	(16,851,547)	(16,851,547)
Interest received on investments, net of purchased interest	2,215	162,950	165,165
Interest received on projects	-	1,459,887	1,459,887
Principal collected on projects	-	5,516,263	5,516,263
Net cash provided by investing activities	41,115	13,285,100	13,326,215
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(930,515)	(930,515)
Redemption of bonds	-	(17,500,000)	(17,500,000)
Transfers (to) from other funds	(127,059)	4,819,719	4,692,660
Net cash (used) by noncapital financing activities	(127,059)	(13,610,796)	(13,737,855)
Net (decrease) in cash and cash equivalents	(85,944)	(329,950)	(415,894)
Cash and cash equivalents at beginning of year	85,944	2,040,743	2,126,687
Cash and cash equivalents at end of year	\$ -	1,710,793	1,710,793
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	197,762	(742,974)	(545,212)
Adjustments:			
Investment income	(960)	(108,356)	(109,316)
Operating expenses	7,585	-	7,585
Interest on bonds	66,740	847,076	913,816
Loan income	(1,200,486)	-	(1,200,486)
Amortization of bond issuance expense	929,359	-	929,359
Net cash (used) by operating activities	\$ -	(4,254)	(4,254)

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	282,769	8,292,154
Investments	1	376	9,452
Loan receivables	78,235,384	-	-
Total restricted assets	<u>78,235,385</u>	<u>283,145</u>	<u>8,301,606</u>
Other receivables	-	-	-
Deferred bond issuance expense	349,876	-	-
Total assets	<u>\$ 78,585,261</u>	<u>283,145</u>	<u>8,301,606</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Water Development Revenue Refunding Bonds:			
1992 & 1997 Safe Water Series	17,807,371	-	-
Total current liabilities payable from restricted assets	<u>17,807,371</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
1997 Safe Water Series, net of premium and deferred loss	30,844,606	-	-
Total noncurrent liabilities	<u>30,844,606</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>48,651,977</u>	<u>-</u>	<u>-</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	29,933,284	283,145	8,301,606
Unrestricted	-	-	-
Total net assets	<u>29,933,284</u>	<u>283,145</u>	<u>8,301,606</u>
Total liabilities and net assets	<u>\$ 78,585,261</u>	<u>283,145</u>	<u>8,301,606</u>

Trusted Fund

<u>1997 Safe Water</u>	<u>Fund Total</u>
15,943,180	24,518,103
15,284	25,113
-	78,235,384
<u>15,958,464</u>	<u>102,778,600</u>
81,613	81,613
-	349,876
<u>16,040,077</u>	<u>103,210,089</u>
210,351	210,351
-	17,807,371
<u>210,351</u>	<u>18,017,722</u>
-	30,844,606
-	30,844,606
<u>210,351</u>	<u>48,862,328</u>
15,829,726	54,347,761
-	-
<u>15,829,726</u>	<u>54,347,761</u>
<u>16,040,077</u>	<u>103,210,089</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
	Operating revenues:		
Loan income	\$ 9,365,903	-	-
Investment income	-	62,392	116,356
Total operating revenues	9,365,903	62,392	116,356
Operating expenses:			
Interest on bonds	277,237	-	438,221
Amortization of bond issuance expense	186,347	-	-
Other	1,713,372	2,162	1,800
Total operating expenses	2,176,956	2,162	440,021
Operating income (loss)	7,188,947	60,230	(323,665)
Transfers in (out), net	(3,330,438)	(5,430,911)	(371,925)
Change in net assets	3,858,509	(5,370,681)	(695,590)
Net assets at beginning of year	26,074,775	5,653,826	8,997,196
Net assets at end of year	\$ 29,933,284	283,145	8,301,606

Trusted Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
-	9,365,903
<u>188,559</u>	<u>367,307</u>
188,559	9,733,210
2,995,799	3,711,257
-	186,347
<u>7,803</u>	<u>1,725,137</u>
3,003,602	5,622,741
<u>(2,815,043)</u>	<u>4,110,469</u>
<u>3,561,967</u>	<u>(5,571,307)</u>
746,924	(1,460,838)
<u>15,082,802</u>	<u>55,808,599</u>
<u>15,829,726</u>	<u>54,347,761</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating activities:			
Operating expenses	\$ -	(2,162)	(1,800)
Net cash (used) by operating activities	-	(2,162)	(1,800)
Investing activities:			
Proceeds from maturity or sale of investments	-	11,184,237	23,023,828
Purchase of investments	-	(5,677,899)	(18,819,475)
Interest received on investments, net of purchased interest	-	66,841	112,320
Interest received on projects	-	-	1,441,656
Principal collected on projects	-	-	3,571,703
Net cash provided by investing activities	-	5,573,179	9,330,032
Noncapital financing activities:			
Redemption of bonds	-	-	(5,005,000)
Interest paid on bonds, net of purchased interest	-	-	-
Transfers (to) from other funds	-	(5,430,910)	(818,506)
Net cash (used) by noncapital financing activities	-	(5,430,910)	(5,823,506)
Net increase in cash and cash equivalents	-	140,107	3,504,726
Cash and cash equivalents at beginning of year	-	142,662	4,787,428
Cash and cash equivalents at end of year	\$ -	282,769	8,292,154
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,188,947	60,230	(323,665)
Adjustments:			
Investment income	-	(62,392)	(116,356)
Operating expense	1,713,372	-	-
Interest on bonds	277,237	-	438,221
Loan income	(9,365,903)	-	-
Amortization of bond issuance expense	186,347	-	-
Net cash (used) by operating activities	\$ -	(2,162)	(1,800)

Trusted Fund

1997 Safe Water	Fund Total
(7,803)	(11,765)
(7,803)	(11,765)
40,405,189	74,613,254
(31,660,264)	(56,157,638)
258,856	438,017
4,826,416	6,268,072
11,957,440	15,529,143
25,787,637	40,690,848
(13,900,000)	(18,905,000)
(3,052,920)	(3,052,920)
678,109	(5,571,307)
(16,274,811)	(27,529,227)
9,505,023	13,149,856
6,438,157	11,368,247
15,943,180	24,518,103
(2,815,043)	4,110,469
(188,559)	(367,307)
-	1,713,372
2,995,799	3,711,257
-	(9,365,903)
-	186,347
(7,803)	(11,765)

**OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 14,301,002	20,458	3,772
Investments	52,400,509	20	5
Loan receivables	240,032,778	-	-
Total restricted assets	306,734,289	20,478	3,777
Deferred bond issuance expense	2,265,959	-	-
Total assets	\$ 309,000,248	20,478	3,777
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	325,600	-	-
Accrued interest	192,491	242,830	409,502
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A	29,155,000	-	-
Total current liabilities payable from restricted assets	29,673,091	242,830	409,502
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A&B, net of discount, premium and deferred losses	174,357,376	-	-
Total noncurrent liabilities	174,357,376	-	-
Total liabilities	204,030,467	242,830	409,502
 <u>Net Assets</u>			
Restricted for debt and grant covenants	96,182,390	(222,352)	(405,725)
Unrestricted	8,787,391	-	-
Total net assets	104,969,781	(222,352)	(405,725)
Total liabilities and net assets	\$ 309,000,248	20,478	3,777

Trusted Fund

Fund
Total

14,325,232
52,400,534
240,032,778
306,758,544

2,265,959
309,024,503

325,600
844,823

29,155,000

30,325,423

174,357,376
174,357,376

204,682,799

95,554,313
8,787,391
104,341,704
309,024,503

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating revenues:			
Loan income	\$ 19,700,600	-	-
Investment income	1,619,244	30,481	5,614
Total operating revenues	<u>21,319,844</u>	<u>30,481</u>	<u>5,614</u>
Operating expenses:			
Interest on bonds	4,302,783	2,908,592	5,388,535
Amortization of bond issuance expense	632,180	-	-
Other	2,403,536	22	6
Total operating expenses	<u>7,338,499</u>	<u>2,908,614</u>	<u>5,388,541</u>
Operating income (loss)	<u>13,981,345</u>	<u>(2,878,133)</u>	<u>(5,382,927)</u>
Nonoperating other (expenses)	(521,298)	-	-
Income (loss) before transfers	<u>13,460,047</u>	<u>(2,878,133)</u>	<u>(5,382,927)</u>
Transfers in, net	490,517	2,980,502	5,383,420
Change in net assets	<u>13,950,564</u>	<u>102,369</u>	<u>493</u>
Net assets at beginning of year	91,019,217	(324,721)	(406,218)
Net assets at end of year	<u>\$ 104,969,781</u>	<u>(222,352)</u>	<u>(405,725)</u>

Trusted Fund

Fund
Total

19,700,600
1,655,339
21,355,939

12,599,910
632,180
2,403,564
15,635,654

5,720,285

(521,298)

5,198,987

8,854,439
14,053,426

90,288,278
104,341,704

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating activities:			
Operating expenses	\$ (296,000)	(22)	(6)
Net cash (used) by operating activities	(296,000)	(22)	(6)
Investing activities:			
Proceeds from maturity or sale of investments	206,703,798	53,398,000	9,824,000
Purchase of investments	(205,120,448)	(53,398,000)	(9,824,000)
Interest received on investments, net of purchased interest	1,781,177	30,464	5,610
Interest received on projects	16,398,782	-	-
Principal collected on projects	25,462,680	-	-
Payment for construction of projects	(169,715)	-	-
Net cash provided by investing activities	45,056,274	30,464	5,610
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(3,394,213)	(3,755,388)	(4,912,133)
Redemption of bonds	(20,975,000)	(22,955,000)	-
Other	1,181,584	-	-
Transfers (to) from other funds	(24,052,785)	26,690,308	4,907,021
Net cash (used) by noncapital financing activities	(47,240,414)	(20,080)	(5,112)
Net increase (decrease) in cash and cash equivalents	(2,480,140)	10,362	492
Cash and cash equivalents at beginning of year	16,781,142	10,096	3,280
Cash and cash equivalents at end of year	\$ 14,301,002	20,458	3,772
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	13,981,345	(2,878,133)	(5,382,927)
Adjustments:			
Investment income	(1,619,244)	(30,481)	(5,614)
Operating expense	2,107,536	-	-
Interest on bonds	4,302,783	2,908,592	5,388,535
Loan income	(19,700,600)	-	-
Amortization of bond issuance expense	632,180	-	-
Net cash (used) by operating activities	\$ (296,000)	(22)	(6)

Trusted Fund

<u>Fund</u>	<u>Total</u>
(296,028)	(296,028)
269,925,798	(268,342,448)
1,817,251	16,398,782
16,398,782	25,462,680
25,462,680	(169,715)
(169,715)	45,092,348
45,092,348	(12,061,734)
(12,061,734)	(43,930,000)
(43,930,000)	1,181,584
1,181,584	7,544,544
7,544,544	(47,265,606)
(47,265,606)	(2,469,286)
(2,469,286)	16,794,518
16,794,518	14,325,232
14,325,232	
	5,720,285
	(1,655,339)
	2,107,536
	12,599,910
	(19,700,600)
	632,180
	(296,028)

**OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 24,510,764	1,052,045	1,485,345
Investments	223,373,877	1,428	2,022,022
Loan receivables	1,693,644,669	-	-
Total restricted assets	1,941,529,310	1,053,473	3,507,367
Other receivables	-	-	-
Deferred bond issuance and other expense	13,885,014	-	-
Due from other funds	10,273	-	-
Total assets	\$ 1,955,424,597	1,053,473	3,507,367
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	10,273	-	-
Accrued interest	-	-	-
Accounts payable	19,521,980	-	-
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2001	-	-	-
Water Quality Series 1995 (net of premium) - 2004	-	-	-
Total current liabilities payable from restricted assets	19,532,253	-	-
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2001, net of premiums and deferred loss	-	-	-
Water Quality Series 1997 - 2004, net of discount, premiums and deferred losses	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	19,532,253	-	-
 <u>Net Assets</u>			
Restricted for debt and grant covenants	1,935,892,344	1,053,473	3,507,367
Unrestricted	-	-	-
Total net assets	1,935,892,344	1,053,473	3,507,367
Total liabilities and net assets	\$ 1,955,424,597	1,053,473	3,507,367

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
734,270	9,671,550	47,457	3,332,410	16,930,668	15,611,480
5,202,445	15,346	3,030,012	11,867,004	9,982,200	25,943
-	-	-	-	-	-
<u>5,936,715</u>	<u>9,686,896</u>	<u>3,077,469</u>	<u>15,199,414</u>	<u>26,912,868</u>	<u>15,637,423</u>
-	-	-	213,813	2,827,503	-
237,267	529,774	321,811	39,468	1,006,852	-
-	-	-	-	-	-
<u>6,173,982</u>	<u>10,216,670</u>	<u>3,399,280</u>	<u>15,452,695</u>	<u>30,747,223</u>	<u>15,637,423</u>
-	-	-	3,891	-	-
74,692	231,680	195,133	25,050	500,244	-
275,096	257,793	-	-	-	95,758
5,525,000	6,860,000	4,955,000	-	-	-
-	-	-	5,038,025	6,885,000	-
<u>5,874,788</u>	<u>7,349,473</u>	<u>5,150,133</u>	<u>5,066,966</u>	<u>7,385,244</u>	<u>95,758</u>
10,265,676	45,041,478	42,462,609	-	-	-
-	-	-	-	109,923,231	-
<u>10,265,676</u>	<u>45,041,478</u>	<u>42,462,609</u>	<u>-</u>	<u>109,923,231</u>	<u>-</u>
<u>16,140,464</u>	<u>52,390,951</u>	<u>47,612,742</u>	<u>5,066,966</u>	<u>117,308,475</u>	<u>95,758</u>
(9,966,482)	(42,174,281)	(44,213,462)	10,385,729	(86,561,252)	15,541,665
-	-	-	-	-	-
<u>(9,966,482)</u>	<u>(42,174,281)</u>	<u>(44,213,462)</u>	<u>10,385,729</u>	<u>(86,561,252)</u>	<u>15,541,665</u>
<u>6,173,982</u>	<u>10,216,670</u>	<u>3,399,280</u>	<u>15,452,695</u>	<u>30,747,223</u>	<u>15,637,423</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Balance Sheets, Continued

December 31, 2004

	Trusted Fund		
	2002	2003	2004
	Water Quality Bond Proceeds	Water Quality Bond Proceeds	Water Quality Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 55,312,901	11,191	28,502,678
Investments	6,454,260	17	477,094,816
Loan receivables	-	-	-
Total restricted assets	61,767,161	11,208	505,597,494
Other receivables	-	-	-
Deferred bond issuance and other expense	1,410,449	1,053,901	3,357,377
Due from other funds	-	3,891	-
Total assets	\$ 63,177,610	1,069,000	508,954,871
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	-	-	-
Accrued interest	819,474	652,381	2,047,960
Accounts payable	-	-	-
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2001	-	-	-
Water Quality Series 1995 (net of premium) - 2004	370,000	5,490,000	7,145,000
Total current liabilities payable from restricted assets	1,189,474	6,142,381	9,192,960
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2001, net of premiums and deferred loss	-	-	-
Water Quality Series 1997 - 2004, net of discount, premiums and deferred losses	195,806,863	156,730,593	540,539,362
Total noncurrent liabilities	195,806,863	156,730,593	540,539,362
Total liabilities	196,996,337	162,872,974	549,732,322
 <u>Net Assets</u>			
Restricted for debt and grant covenants	(133,818,727)	(161,803,974)	(40,777,451)
Unrestricted	-	-	-
Total net assets	(133,818,727)	(161,803,974)	(40,777,451)
Total liabilities and net assets	\$ 63,177,610	1,069,000	508,954,871

Trusteed Fund	
2004	
Water Quality Rev Ref Bond Proceeds	Fund Total
44,954	157,247,713
-	739,069,370
-	1,693,644,669
<u>44,954</u>	<u>2,589,961,752</u>
-	3,041,316
466,700	22,308,613
-	14,164
<u>511,654</u>	<u>2,615,325,845</u>
-	14,164
265,229	4,811,843
5,000	20,155,627
-	17,340,000
-	24,928,025
<u>270,229</u>	<u>67,249,659</u>
-	97,769,763
<u>66,313,279</u>	<u>1,069,313,328</u>
<u>66,313,279</u>	<u>1,167,083,091</u>
<u>66,583,508</u>	<u>1,234,332,750</u>
(66,071,854)	1,380,993,095
-	-
<u>(66,071,854)</u>	<u>1,380,993,095</u>
<u>511,654</u>	<u>2,615,325,845</u>

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 60,216,054	-	-
Investment income	2,843,360	15,874	75,708
Total operating revenues	<u>63,059,414</u>	<u>15,874</u>	<u>75,708</u>
Operating expenses:			
Interest on bonds	-	-	103,112
Amortization of bond issuance expense	-	-	64,861
Other	4,423,480	-	-
Total operating expenses	<u>4,423,480</u>	<u>-</u>	<u>167,973</u>
Operating income (loss)	<u>58,635,934</u>	<u>15,874</u>	<u>(92,265)</u>
Nonoperating other revenues (expenses)	781,575	-	-
Income (loss) before contributions and transfers	<u>59,417,509</u>	<u>15,874</u>	<u>(92,265)</u>
Contribution from U.S. EPA	86,719,055	-	-
Transfers in (out), net	8,403,872	(462,481)	3,020,574
Change in net assets	<u>154,540,436</u>	<u>(446,607)</u>	<u>2,928,309</u>
Net assets at beginning of year	<u>1,781,351,908</u>	<u>1,500,080</u>	<u>579,058</u>
Net assets at end of year	<u>\$ 1,935,892,344</u>	<u>1,053,473</u>	<u>3,507,367</u>

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	-	-	-	-	-
358,912	194,113	87,218	758,978	890,945	244,457
<u>358,912</u>	<u>194,113</u>	<u>87,218</u>	<u>758,978</u>	<u>890,945</u>	<u>244,457</u>
1,029,758	2,864,091	2,225,214	528,962	9,179,560	-
79,089	31,163	26,818	78,937	88,133	-
-	7,296	-	23,951	28,575	3,658
<u>1,108,847</u>	<u>2,902,550</u>	<u>2,252,032</u>	<u>631,850</u>	<u>9,296,268</u>	<u>3,658</u>
<u>(749,935)</u>	<u>(2,708,437)</u>	<u>(2,164,814)</u>	<u>127,128</u>	<u>(8,405,323)</u>	<u>240,799</u>
(17,977)	231,122	-	-	415,710	-
<u>(767,912)</u>	<u>(2,477,315)</u>	<u>(2,164,814)</u>	<u>127,128</u>	<u>(7,989,613)</u>	<u>240,799</u>
-	-	-	-	-	-
6,554,510	5,778,916	4,333,910	7,112,751	73,661,296	(9,204,562)
<u>5,786,598</u>	<u>3,301,601</u>	<u>2,169,096</u>	<u>7,239,879</u>	<u>65,671,683</u>	<u>(8,963,763)</u>
<u>(15,753,080)</u>	<u>(45,475,882)</u>	<u>(46,382,558)</u>	<u>3,145,850</u>	<u>(152,232,935)</u>	<u>24,505,428</u>
<u>(9,966,482)</u>	<u>(42,174,281)</u>	<u>(44,213,462)</u>	<u>10,385,729</u>	<u>(86,561,252)</u>	<u>15,541,665</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets, Continued

Year ended December 31, 2004

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
Operating revenues:			
Loan income	\$ -	-	-
Investment income	925,433	35,807	10,249,228
Total operating revenues	<u>925,433</u>	<u>35,807</u>	<u>10,249,228</u>
Operating expenses:			
Interest on bonds	9,459,631	6,592,829	19,173,549
Amortization of bond issuance expense	76,240	95,809	163,775
Other	33,605	9,852	26,704
Total operating expenses	<u>9,569,476</u>	<u>6,698,490</u>	<u>19,364,028</u>
Operating income (loss)	<u>(8,644,043)</u>	<u>(6,662,683)</u>	<u>(9,114,800)</u>
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before contributions and transfers	<u>(8,644,043)</u>	<u>(6,662,683)</u>	<u>(9,114,800)</u>
Contribution from U.S. EPA	-	-	-
Transfers in (out), net	(9,842,608)	7,915,702	(31,662,651)
Change in net assets	<u>(18,486,651)</u>	<u>1,253,019</u>	<u>(40,777,451)</u>
Net assets at beginning of year	(115,332,076)	(163,056,993)	-
Net assets at end of year	<u>\$ (133,818,727)</u>	<u>(161,803,974)</u>	<u>(40,777,451)</u>

Trusteed Fund	
2004	
Water Quality Rev Ref Bond Proceeds	Fund Total
-	60,216,054
107	16,680,140
107	76,896,194
586,523	51,743,229
23,335	728,160
26	4,557,147
609,884	57,028,536
(609,777)	19,867,658
-	1,410,430
(609,777)	21,278,088
-	86,719,055
(65,462,077)	147,152
(66,071,854)	108,144,295
-	1,272,848,800
(66,071,854)	1,380,993,095

**OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating activities:			
Operating expenses	\$ (4,276,330)	-	-
Net cash (used) by operating activities	(4,276,330)	-	-
Investing activities:			
Proceeds from maturity or sale of investments	10,296,515,991	62,909,000	76,314,012
Purchase of investments	(10,324,684,120)	(61,410,000)	(74,597,012)
Interest received on investments, net of purchased interest	2,813,096	14,600	54,716
Interest received on projects	54,866,440	-	-
Principal collected on projects	84,557,451	-	-
Payment for construction of projects	(207,416,825)	-	-
Net cash provided (used) by investing activities	(93,347,967)	1,513,600	1,771,716
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	-	(113,406)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	-	(3,195,000)
Contribution from U.S. EPA	88,872,418	-	-
Other	816,095	-	-
Transfers (to) from other funds	8,403,871	(462,481)	3,020,575
Net cash provided (used) by noncapital financing activities	98,092,384	(462,481)	(287,831)
Net increase (decrease) in cash and cash equivalents	468,087	1,051,119	1,483,885
Cash and cash equivalents at beginning of year	24,042,677	926	1,460
Cash and cash equivalents at end of year	\$ 24,510,764	1,052,045	1,485,345
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	58,635,934	15,874	(92,265)
Adjustments:			
Investment income	(2,843,360)	(15,874)	(75,708)
Operating expense	147,150	-	-
Interest on bonds	-	-	103,112
Loan income	(60,216,054)	-	-
Amortization of bond issuance expense	-	-	64,861
Net cash (used) by operating activities	\$ (4,276,330)	-	-

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	(7,296)	-	(23,951)	(28,575)	(3,658)
-	(7,296)	-	(23,951)	(28,575)	(3,658)
28,523,610 (28,037,609)	326,186,006 (313,383,006)	7,678,419 (7,516,418)	9,031,092 (9,031,091)	15,055,391 (15,055,390)	- -
357,739	356,142	58,530	760,151	886,320	240,549
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>843,740</u>	<u>13,159,142</u>	<u>220,531</u>	<u>760,152</u>	<u>886,321</u>	<u>240,549</u>
(1,174,338)	(3,081,294)	(2,397,233)	(711,150)	(7,949,938)	-
-	-	-	-	-	-
-	-	-	-	-	-
(5,720,000)	(7,335,000)	(2,120,000)	(9,015,000)	(5,970,000)	-
-	-	-	-	-	-
-	-	-	3,891	-	-
<u>6,554,510</u>	<u>5,778,918</u>	<u>4,333,910</u>	<u>7,112,752</u>	<u>6,724,133</u>	<u>(9,204,561)</u>
<u>(339,828)</u>	<u>(4,637,376)</u>	<u>(183,323)</u>	<u>(2,609,507)</u>	<u>(7,195,805)</u>	<u>(9,204,561)</u>
503,912	8,514,470	37,208	(1,873,306)	(6,338,059)	(8,967,670)
230,358	1,157,080	10,249	5,205,716	23,268,727	24,579,150
<u>734,270</u>	<u>9,671,550</u>	<u>47,457</u>	<u>3,332,410</u>	<u>16,930,668</u>	<u>15,611,480</u>
(749,935)	(2,708,437)	(2,164,814)	127,128	(8,405,323)	240,799
(358,912)	(194,113)	(87,218)	(758,978)	(890,945)	(244,457)
-	-	-	-	-	-
1,029,758	2,864,091	2,225,214	528,962	9,179,560	-
-	-	-	-	-	-
79,089	31,163	26,818	78,937	88,133	-
<u>-</u>	<u>(7,296)</u>	<u>-</u>	<u>(23,951)</u>	<u>(28,575)</u>	<u>(3,658)</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Cash Flows, Continued

Year ended December 31, 2004

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
Operating activities:			
Operating expenses	\$ (33,605)	(9,852)	(26,704)
Net cash (used) by operating activities	(33,605)	(9,852)	(26,704)
Investing activities:			
Proceeds from maturity or sale of investments	16,033,870	7,926,114	617,970,888
Purchase of investments	(22,373,870)	(7,926,114)	(1,094,111,228)
Interest received on investments, net of purchased interest	882,014	35,796	9,294,752
Interest received on projects	-	-	-
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	-
Net cash provided (used) by investing activities	(5,457,986)	35,796	(466,845,588)
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(9,833,670)	(7,830,963)	(20,633,412)
Proceeds of bonds	-	-	552,222,185
Bond issuance expense	-	-	(3,521,152)
Redemption of bonds	-	(105,000)	(1,030,000)
Contribution from U.S. EPA	-	-	-
Other	-	(3,891)	-
Transfers (to) from other funds	(9,842,607)	7,915,702	(31,662,651)
Net cash provided (used) by noncapital financing activities	(19,676,277)	(24,152)	495,374,970
Net increase (decrease) in cash and cash equivalents	(25,167,868)	1,792	28,502,678
Cash and cash equivalents at beginning of year	80,480,769	9,399	-
Cash and cash equivalents at end of year	\$ 55,312,901	11,191	28,502,678
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	(8,644,043)	(6,662,683)	(9,114,800)
Adjustments:			
Investment income	(925,433)	(35,807)	(10,249,228)
Operating expense	-	-	-
Interest on bonds	9,459,631	6,592,829	19,173,549
Loan income	-	-	-
Amortization of bond issuance expense	76,240	95,809	163,775
Net cash (used) by operating activities	\$ (33,605)	(9,852)	(26,704)

Tusteed Fund	
2004	
Water Quality	
Rev Ref	Fund
Bond Proceeds	Total
(26)	(4,409,997)
(26)	(4,409,997)
-	11,464,144,393
-	(11,958,125,858)
109	15,754,514
-	54,866,440
-	84,557,451
-	(207,416,825)
109	(546,219,885)
(125,086)	(53,850,490)
72,762,606	624,984,791
(485,035)	(4,006,187)
(73,582,700)	(108,072,700)
-	88,872,418
-	816,095
1,475,086	147,157
44,871	548,891,084
44,954	(1,738,798)
-	158,986,511
44,954	157,247,713
(609,777)	19,867,658
(107)	(16,680,140)
-	147,150
586,523	51,743,229
-	(60,216,054)
23,335	728,160
(26)	(4,409,997)

**OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2004

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 20,907,151	1,123,237	1,731,236
Investments	28,147	2,401	1,667,998
Loan receivables	210,098,342	15,038,591	-
Total restricted assets	<u>231,033,640</u>	<u>16,164,229</u>	<u>3,399,234</u>
Other receivables	105,556	-	-
Deferred bond issuance expense	-	-	236,054
Due from other funds	11,424	-	-
Total assets	<u>\$ 231,150,620</u>	<u>16,164,229</u>	<u>3,635,288</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	85,972
Due to other funds	250,487	-	-
Accounts payable	8,292,723	-	-
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002-2004	-	-	2,300,000
Leverage Series 2002	-	-	-
Total current liabilities payable from restricted assets	<u>8,543,210</u>	<u>-</u>	<u>2,385,972</u>
Noncurrent liabilities:			
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002 - 2004, net of discount and premium	-	-	22,710,423
Leverage Series 2002 - 2004, net of premiums	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>22,710,423</u>
Total liabilities	<u>8,543,210</u>	<u>-</u>	<u>25,096,395</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	222,607,410	16,164,229	(21,461,107)
Unrestricted	-	-	-
Total net assets	<u>222,607,410</u>	<u>16,164,229</u>	<u>(21,461,107)</u>
Total liabilities and net assets	<u>\$ 231,150,620</u>	<u>16,164,229</u>	<u>3,635,288</u>

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	Fund Total
26,232,351	16,496,288	61,049,960	127,540,223
44,557	3,463,756	99,241	5,306,100
-	-	-	225,136,933
<u>26,276,908</u>	<u>19,960,044</u>	<u>61,149,201</u>	<u>357,983,256</u>
-	-	-	105,556
262,034	465,602	527,920	1,491,610
-	-	-	11,424
<u>26,538,942</u>	<u>20,425,646</u>	<u>61,677,121</u>	<u>359,591,846</u>
118,917	245,976	244,050	694,915
-	-	-	250,487
-	-	-	8,292,723
755,000	-	-	3,055,000
-	1,070,000	-	1,070,000
873,917	1,315,976	244,050	13,363,125
34,859,544	-	-	57,569,967
-	58,984,136	69,511,041	128,495,177
<u>34,859,544</u>	<u>58,984,136</u>	<u>69,511,041</u>	<u>186,065,144</u>
<u>35,733,461</u>	<u>60,300,112</u>	<u>69,755,091</u>	<u>199,428,269</u>
(9,194,519)	(39,874,466)	(8,077,970)	160,163,577
-	-	-	-
<u>(9,194,519)</u>	<u>(39,874,466)</u>	<u>(8,077,970)</u>	<u>160,163,577</u>
<u>26,538,942</u>	<u>20,425,646</u>	<u>61,677,121</u>	<u>359,591,846</u>

OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2004

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 7,261,359	-	-
Investment income	194,826	27,940	141,500
Administrative fees from projects	725,942	-	-
Total operating revenues	<u>8,182,127</u>	<u>27,940</u>	<u>141,500</u>
Operating expenses:			
Interest on bonds	-	-	1,061,019
Amortization of bond issuance expense	-	-	12,760
Other	2,626,003	6	15,212
Total operating expenses	<u>2,626,003</u>	<u>6</u>	<u>1,088,991</u>
Operating income (loss)	<u>5,556,124</u>	<u>27,934</u>	<u>(947,491)</u>
Contribution from U.S. EPA	25,678,735	-	-
Transfers in (out), net	30,256,977	216,000	(56,740)
Change in net assets	61,491,836	243,934	(1,004,231)
Net assets at beginning of year	161,115,574	15,920,295	(20,456,876)
Net assets at end of year	<u>\$ 222,607,410</u>	<u>16,164,229</u>	<u>(21,461,107)</u>

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	Fund Total
-	-	-	7,261,359
363,643	533,389	751,118	2,012,416
-	-	-	725,942
<u>363,643</u>	<u>533,389</u>	<u>751,118</u>	<u>9,999,717</u>
955,298	2,821,025	2,299,838	7,137,180
12,478	25,168	25,139	75,545
4,383	-	4,187	2,649,791
<u>972,159</u>	<u>2,846,193</u>	<u>2,329,164</u>	<u>9,862,516</u>
<u>(608,516)</u>	<u>(2,312,804)</u>	<u>(1,578,046)</u>	<u>137,201</u>
-	-	-	25,678,735
<u>(8,586,003)</u>	<u>(15,330,310)</u>	<u>(6,499,924)</u>	-
<u>(9,194,519)</u>	<u>(17,643,114)</u>	<u>(8,077,970)</u>	<u>25,815,936</u>
-	(22,231,352)	-	134,347,641
<u>(9,194,519)</u>	<u>(39,874,466)</u>	<u>(8,077,970)</u>	<u>160,163,577</u>

OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2004

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating activities:			
Administrative fees from projects	\$ 714,595	-	-
Operating expenses	<u>(2,626,003)</u>	<u>(6)</u>	<u>(15,212)</u>
Net cash (used) by operating activities	(1,911,408)	(6)	(15,212)
Investing activities:			
Proceeds from maturity or sale of investments	-	-	3,416,032
Purchase of investments	-	-	(3,345,745)
Interest received on investments, net of purchased interest	177,801	27,572	144,102
Interest received on projects	5,019,325	-	-
Principal collected on projects	6,531,980	-	-
Payment for construction of projects	<u>(63,863,185)</u>	<u>(1,444,506)</u>	<u>-</u>
Net cash provided (used) by investing activities	(52,134,079)	(1,416,934)	214,389
Noncapital financing activities:			
Interest paid on bonds	-	-	(1,084,831)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	-	(2,370,000)
Contribution from U.S. EPA	25,678,735	-	-
Other	(185,096)	-	-
Transfers (to) from other funds	<u>30,256,978</u>	<u>216,000</u>	<u>(56,740)</u>
Net cash provided (used) by noncapital financing activities	55,750,617	216,000	(3,511,571)
Net increase (decrease) in cash and cash equivalents	1,705,130	(1,200,940)	(3,312,394)
Cash and cash equivalents at beginning of year	19,202,021	2,324,177	5,043,630
Cash and cash equivalents at end of year	<u>\$ 20,907,151</u>	<u>1,123,237</u>	<u>1,731,236</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	5,556,124	27,934	(947,491)
Adjustments:			
Investment income	(194,826)	(27,940)	(141,500)
Interest on bonds	-	-	1,061,019
Loan income	(7,261,359)	-	-
Amortization of bond issuance expense	-	-	12,760
Net change in other assets and other liabilities	<u>(11,347)</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (1,911,408)</u>	<u>(6)</u>	<u>(15,212)</u>

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	Fund Total
-	-	-	714,595
(4,383)	-	(4,187)	(2,649,791)
(4,383)	-	(4,187)	(1,935,196)
169,775,966	3,671,025	2,905,515	179,768,538
(169,775,966)	(3,671,025)	(2,905,515)	(179,698,251)
319,086	536,668	651,880	1,857,109
-	-	-	5,019,325
-	-	-	6,531,980
-	-	-	(65,307,691)
319,086	536,668	651,880	(51,828,990)
(1,090,069)	(2,972,413)	(2,237,125)	(7,384,438)
35,868,231	-	69,692,377	105,560,608
(274,511)	-	(553,059)	(827,570)
-	(905,000)	-	(3,275,000)
-	-	-	25,678,735
-	-	-	(185,096)
(8,586,003)	(15,330,309)	(6,499,926)	-
25,917,648	(19,207,722)	60,402,267	119,567,239
26,232,351	(18,671,054)	61,049,960	65,803,053
-	35,167,342	-	61,737,170
26,232,351	16,496,288	61,049,960	127,540,223
(608,516)	(2,312,804)	(1,578,046)	137,201
(363,643)	(533,389)	(751,118)	(2,012,416)
955,298	2,821,025	2,299,838	7,137,180
-	-	-	(7,261,359)
12,478	25,168	25,139	75,545
-	-	-	(11,347)
(4,383)	-	(4,187)	(1,935,196)

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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*

Ohio Water Development Authority
480 South High Street
Columbus, Ohio 43215

We have audited the financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 18, 2005, wherein we noted that the Authority implemented GASB Statement No. 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 18, 2005.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 18, 2005



**Auditor of State
Betty Montgomery**

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800-282-0370
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**OHIO WATER DEVELOPMENT AUTHORITY
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
MAY 5, 2005**