OHIO WATER DEVELOPMENT AUTHORITY

Financial Statements

December 31, 2008

(With Independent Auditors' Report Thereon)

Mary Taylor, CPA
Auditor of State

Ohio Water Development Authority
480 S. High Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 21, 2009

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INDEPENDENT AUDITORS' 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, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 25, 2009

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2008

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, 2008. 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 2008 by $155,446,778 or 5.59%.
- During 2008, the Authority's loan receivable balance increased by $176,692,066 or 4.50%.
- During 2008, the Authority earned $50,048,920 in investment income, a decrease of $23,886,570, or 32.31%, from 2007.

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 two components: 1) combining financial statements and 2) notes to financial 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. 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. 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, 2008. 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.

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. The notes to financial statements can be found on pages 14-57 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 2008 and 2007, 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, 2008 and December 31, 2007:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2008	2007	Dollar Change	Total Percent Change
Current assets	$89,048	$81,832	$7,216	8.82%
Noncurrent restricted assets	5,290,756	5,128,236	162,520	3.17%
Noncurrent unrestricted assets	105,950	119,077	(13,127)	(11.02%)
Capital assets	1,709	1,812	(103)	(5.68%)
Total assets	5,487,463	5,330,957	156,506	2.94%
Current liabilities	388,782	265,164	123,618	46.62%
Noncurrent revenue bonds and notes payable	2,161,244	2,283,822	(122,578)	(5.37%)
Other noncurrent liabilities	199	179	20	11.17%
Total liabilities	2,550,225	2,549,165	1,060	0.04%
Net assets:				
Invested in capital assets	1,709	1,812	(103)	(5.68%)
Restricted	2,782,157	2,580,256	201,901	7.82%
Unrestricted	153,372	199,724	(46,352)	(23.21%)
Total net assets	2,937,238	2,781,792	155,446	5.59%
Total liabilities and net assets	$5,487,463	$5,330,957	$156,506	2.94%

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 $2,937,238,282 as of December 31, 2008, $2,782,157,418 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 2008, the Authority's net assets increased by $155,446,778 or 5.59%. The majority of this increase was due to the following:

- A $176,692,066 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A $24,700,514 decrease in cash, cash equivalents and investments caused by the lending of bond proceeds, repayment of bonds payable and lower investment income.

The following table summarizes the changes in revenues and expenses for the Authority between 2008 and 2007:

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets

(all amounts expressed in thousands of dollars)

	2008	2007	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	$144,632	$143,998	$634	0.44%
Investment income	50,049	73,935	(23,886)	(32.31%)
Administrative fees from projects	2,231	2,300	(69)	(3.00%)
Total operating revenues	196,912	220,233	(23,321)	(10.59%)
Operating expenses:				
Interest on bonds and notes	105,984	110,509	(4,525)	(4.09%)
Amortization of bond and note issuance expense	1,843	1,759	84	4.78%
Other	14,935	15,660	(725)	(4.63%)
Total operating expenses	122,762	127,928	(5,166)	(4.04%)
Operating income	74,150	92,305	(18,155)	(19.67%)
Nonoperating other revenues, net	226	(1,047)	1,273	121.59%
Contribution from U.S. EPA	81,070	79,727	1,343	1.68%
Change in net assets	$155,446	$170,985	($15,539)	(9.09%)

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, 2008, the Authority had a decrease in operating income compared to 2007 of $18,155,634 or 19.67%. This decrease was attributed to the following:

- A $23,886,570 decrease in investment income caused by a decrease in the yields that the Authority was able to obtain on securities traded in 2008.
- A $4,524,895 decrease in interest on bonds and notes caused by low interest rates on commercial paper and bond anticipation notes outstanding and a lower average balance of noncurrent bonds and notes payable.

Debt Administration

As of December 31, 2008, the Authority had bond and note principal outstanding of $2,498,814,020. 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 2008 and 2007.

Outstanding Debt at December 31, 2008 and December 31, 2007
(net of discount, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

		2008	2007
Revenue Bonds	$	2,297,218	2,359,025
Revenue Notes		201,596	126,672
Total	$	2,498,814	2,485,697

During 2008, 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—Fresh Water Series 2007 Commercial Paper outstanding increased by $80,000,000 in 2008.
- Water Pollution Control Loan Fund Revenue Bond Anticipation Notes—State Match Series 2008.

During 2008, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates or to refund notes, as follows:

- Water Development Refunding Revenue Bond Anticipation Notes—Community Assistance Series 2008A were issued to refund previously outstanding Water Development Refunding Revenue Bonds – Community Assistance Series 2007. Water Development Refunding Revenue Bond Anticipation Notes—Community Assistance Series 2008B were issued to refund the 2008A Series Notes.
- Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2008 were issued to refund previously outstanding Drinking Water Assistance Fund Revenue Notes—Leverage Series 2006. This transaction enabled the Authority to repay the Water Pollution Control Loan Fund for funds previously borrowed from it.

The Authority continues to maintain strong ratings from Moody's and Standard & Poor's. The table below summarizes the ratings from Moody's and Standard & Poor's for the 2008 bond and note issuances of the Authority.

Bond or Note Series	Moody's	Standard & Poor's
Community Assistance Notes	MIG 1	—
Fresh Water Notes	P-1	A-1+
WPCLF State Match Notes	MIG 1	SP-1+
DWAF Leverage Bonds	Aaa	AAA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-52 of this report.

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, 2008

	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
	Trusted Funds				
Assets					
Current assets:					
Cash and cash equivalents -- Note 2	$ 260,829	-	30,952,553	-	-
Investments -- Note 2	2,752,241	-	52,142,560	-	-
Receivables:					
Loan and Fee receivables	478,004	-	2,454,660	-	-
Other	6,876	-	-	-	-
Total current assets	3,497,950	-	85,549,773	-	-
Noncurrent assets:					
Restricted grant, bond and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	48,681,666	38,531,588
Investments -- Note 2	-	-	-	-	3,631,210
Loan receivables	-	-	-	19,404,023	175,003,513
Total restricted assets	-	-	-	68,085,689	217,166,311
Investments -- Note 2	2,415,272	-	4,491,885	-	-
Loan receivables	-	1,023,915	41,903,699	-	-
Other receivables	-	-	-	-	-
Deferred debt issuance and other expense	-	-	-	45,757	915,105
Due from other funds -- Note 3	118,570	-	-	-	-
Capital assets, at depreciated cost	1,709,224	-	-	-	-
Total noncurrent nonrestricted assets	4,243,066	1,023,915	46,395,584	45,757	915,105
Total assets	$ 7,741,016	1,023,915	131,945,357	68,131,446	218,081,416
Liabilities					
Current liabilities:					
Accounts payable	$ 91,273	-	588,221	-	-
Total current liabilities	91,273	-	588,221	-	-
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	1,420,395	903,270
Accrued interest	-	-	-	126,583	461,781
Revenue bonds payable, net of premiums	-	-	-	31,342,268	29,182,469
Total current liabilities payable from restricted assets	-	-	-	32,889,246	30,547,520
Noncurrent liabilities:					
Compensated absences	199,266	-	-	-	-
Revenue bonds and notes payable (net of discount, premiums and deferred losses)	-	-	-	-	77,323,068
Total noncurrent liabilities	199,266	-	-	-	77,323,068
Total liabilities	290,539	-	588,221	32,889,246	107,870,588
Net Assets					
Invested in capital assets	1,709,224	-	-	-	-
Restricted for debt and grant covenants	-	1,023,915	-	35,242,200	110,210,828
Unrestricted	5,741,253	-	131,357,136	-	-
Total net assets	7,450,477	1,023,915	131,357,136	35,242,200	110,210,828
Total liabilities and net assets	$ 7,741,016	1,023,915	131,945,357	68,131,446	218,081,416

See accompanying notes to financial statements.

	Trusteed Funds				
	Fresh Water Fund (Note 6)	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2008
	-	-	-	-	31,213,382
	-	-	-	-	54,894,801
	-	-	-	-	2,932,664
	-	-	-	-	6,876
	-	-	-	-	89,047,723
	119,383,131	7,858,610	267,960,642	87,861,822	570,277,459
	118,344,363	78,291,527	430,129,962	29,803,836	660,200,898
	702,559,016	133,453,627	2,568,321,998	461,535,511	4,060,277,688
	940,286,510	219,603,764	3,266,412,602	579,201,169	5,290,756,045
	-	-	-	-	6,907,157
	-	-	-	-	42,927,614
	1,440,336	-	3,037,008	-	4,477,344
	2,842,230	612,886	44,900,389	2,202,545	51,518,912
	-	-	-	169	118,739
	-	-	-	-	1,709,224
	4,282,566	612,886	47,937,397	2,202,714	107,658,990
	944,569,076	220,216,650	3,314,349,999	581,403,883	5,487,462,758
	-	-	-	-	679,494
	-	-	-	-	679,494
	-	-	-	118,739	118,739
	12,259,801	57,836	21,711,305	4,627,260	40,979,867
	1,871,111	376,187	5,491,330	1,106,098	9,433,090
	124,880,000	18,700,000	120,825,765	12,640,000	337,570,502
	139,010,912	19,134,023	148,028,400	18,492,097	388,102,198
	-	-	-	-	199,266
	360,010,345	75,636,010	1,364,269,962	284,004,133	2,161,243,518
	360,010,345	75,636,010	1,364,269,962	284,004,133	2,161,442,784
	499,021,257	94,770,033	1,512,298,362	302,496,230	2,550,224,476
	-	-	-	-	1,709,224
	439,948,611	114,772,574	1,802,051,637	278,907,653	2,782,157,418
	5,599,208	10,674,043	-	-	153,371,640
	445,547,819	125,446,617	1,802,051,637	278,907,653	2,937,238,282
	944,569,076	220,216,650	3,314,349,999	581,403,883	5,487,462,758

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended December 31, 2008

	Operating Fund	Trusteed Funds: Working Capital Fund	Trusteed Funds: Other Projects Fund	Trusteed Funds: Rural Utility Services Fund (Note 4)	Trusteed Funds: Community Assistance Fund (Note 5)
Operating revenues:					
Loan income	$ -	81,503	1,411,529	831,924	3,047,352
Investment income	296,230	-	3,088,469	476,998	1,191,208
Administrative fees from projects	1,560,826	-	-	-	-
Total operating revenues	1,857,056	81,503	4,499,998	1,308,922	4,238,560
Operating expenses:					
Interest on bonds and notes	-	-	-	1,189,268	4,295,076
Amortization of bond and note issuance expense	-	-	-	49,917	467,781
Other	2,738,917	-	860,130	21,353	30,272
Total operating expenses	2,738,917	-	860,130	1,260,538	4,793,129
Operating income (loss)	(881,861)	81,503	3,639,868	48,384	(554,569)
Nonoperating other revenues (expenses)	61,579	-	-	296,784	(393,011)
Income (loss) before contributions and transfers	(820,282)	81,503	3,639,868	345,168	(947,580)
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 16	-	(432,850)	(14,135,774)	15,000,000	(786,195)
Change in net assets	(820,282)	(351,347)	(10,495,906)	15,345,168	(1,733,775)
Net assets at beginning of year	8,270,759	1,375,262	141,853,042	19,897,032	111,944,603
Net assets at end of year	$ 7,450,477	1,023,915	131,357,136	35,242,200	110,210,828

See accompanying notes to financial statements.

Trusted Funds				
Fresh Water Fund (Note 6)	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2008
33,217,756	11,202,931	79,787,350	15,051,832	144,632,177
7,546,920	4,381,346	28,706,979	4,360,770	50,048,920
-	-	-	670,429	2,231,255
40,764,676	15,584,277	108,494,329	20,083,031	196,912,352
19,166,067	5,493,641	63,248,696	12,591,663	105,984,411
253,397	138,404	772,820	160,282	1,842,601
1,906,219	1,878,500	4,857,185	2,642,583	14,935,159
21,325,683	7,510,545	68,878,701	15,394,528	122,762,171
19,438,993	8,073,732	39,615,628	4,688,503	74,150,181
579,360	-	(285,095)	(33,507)	226,110
20,018,353	8,073,732	39,330,533	4,654,996	74,376,291
-	-	52,848,664	28,221,823	81,070,487
17,015,672	(16,673,321)	12,468	-	-
37,034,025	(8,599,589)	92,191,665	32,876,819	155,446,778
408,513,794	134,046,206	1,709,859,972	246,030,834	2,781,791,504
445,547,819	125,446,617	1,802,051,637	278,907,653	2,937,238,282

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2008

		Trusteed Funds			
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Operating activities:					
Administrative fees from projects	$ 1,255,774	-	-	-	-
Operating expenses	(917,595)	-	(193,687)	(21,353)	(26,592)
Salaries and fringes expense	(1,666,657)	-	-	-	-
Net cash (used) by operating activities	(1,328,478)	-	(193,687)	(21,353)	(26,592)
Investing activities:					
Proceeds from maturity or sale of investments	3,760,000	-	86,801,698	-	8,220,862
Purchase of investments	(2,924,549)	-	(75,318,227)	-	(3,558,426)
Interest received on investments, net of purchased interest	289,012	-	3,487,096	561,010	1,310,909
Interest received on projects	-	-	1,028,792	-	2,718,725
Principal collected on projects	-	-	2,481,001	19,623,601	7,551,354
Payment for construction of projects	-	-	(5,024,898)	(10,794,924)	(11,943,304)
Net cash provided (used) by investing activities	1,124,463	-	13,455,462	9,389,687	4,300,120
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	-	(1,519,000)	(4,429,844)
Proceeds of bonds and notes	-	-	-	-	49,494,763
Bond and note issuance expense	-	-	-	-	(178,517)
Redemption of bonds and notes	-	-	-	-	(53,315,000)
Contribution from U.S. EPA	-	-	-	-	-
Other	215,733	-	-	-	(765,271)
Transfers (to) from other funds	-	-	(14,135,774)	15,000,000	3,685
Net cash provided (used) by noncapital financing activities	215,733	-	(14,135,774)	13,481,000	(9,190,184)
Net increase (decrease) in cash and cash equivalents	11,718	-	(873,999)	22,849,334	(4,916,656)
Cash and cash equivalents at beginning of year	249,111	-	31,803,508	25,827,601	43,416,026
Cash and cash equivalents at end of year -- Note 2	$ 260,829	-	30,929,509	48,676,935	38,499,370
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	$ (881,861)	81,503	3,639,868	48,384	(554,569)
Adjustments:					
Investment income	(296,230)	-	(3,088,469)	(476,998)	(1,191,208)
Operating expenses	-	-	666,443	-	3,680
Interest on bonds and notes	-	-	-	1,189,268	4,295,076
Loan income	-	(81,503)	(1,411,529)	(831,924)	(3,047,352)
Amortization of bond and note issuance expense	-	-	-	49,917	467,781
Net change in other assets and other liabilities	(150,387)	-	-	-	-
Net cash (used) by operating activities	$ (1,328,478)	-	(193,687)	(21,353)	(26,592)

See accompanying notes to financial statements.

Trusteed Funds				
Fresh Water Fund (Note 6)	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2008
-	-	-	465,764	1,721,538
(575,082)	(590,012)	(4,844,716)	(2,642,583)	(9,811,620)
-	-	-	-	(1,666,657)
(575,082)	(590,012)	(4,844,716)	(2,176,819)	(9,756,739)
322,023,032	161,092,974	1,319,836,104	14,337,588	1,916,072,258
(354,796,843)	(173,386,339)	(1,155,753,508)	(20,503,615)	(1,786,241,507)
6,513,474	3,445,000	32,158,857	4,087,478	51,852,836
31,682,350	10,535,966	76,493,520	13,883,314	136,342,667
47,089,358	25,435,098	145,422,698	20,156,936	267,760,046
(94,279,373)	(2,065,376)	(260,533,261)	(68,375,844)	(453,016,980)
(41,768,002)	25,057,323	157,624,410	(36,414,143)	132,769,320
(20,773,255)	(4,535,438)	(67,154,764)	(17,076,580)	(115,488,881)
220,000,000	-	40,457,200	75,597,434	385,549,397
-	-	(175,247)	(589,555)	(943,319)
(159,180,000)	(3,935,000)	(70,285,000)	(79,595,000)	(366,310,000)
-	-	52,848,664	28,221,823	81,070,487
440,300	-	366,696	10,021	267,479
16,583,669	(17,464,048)	12,468	-	-
57,070,714	(25,934,486)	(43,929,983)	6,568,143	(15,854,837)
14,727,630	(1,467,175)	108,849,711	(32,022,819)	107,157,744
104,527,378	9,318,676	158,818,287	119,788,920	493,749,507
119,255,008	7,851,501	267,667,998	87,766,101	600,907,251
19,438,993	8,073,732	39,615,628	4,688,503	74,150,181
(7,546,920)	(4,381,346)	(28,706,979)	(4,360,770)	(50,048,920)
1,331,137	1,288,488	12,469	-	3,302,217
19,166,067	5,493,641	63,248,696	12,591,663	105,984,411
(33,217,756)	(11,202,931)	(79,787,350)	(15,051,832)	(144,632,177)
253,397	138,404	772,820	160,282	1,842,601
-	-	-	(204,665)	(355,052)
(575,082)	(590,012)	(4,844,716)	(2,176,819)	(9,756,739)

(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.

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 13. 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 a period of 40 years with interest at 6.25% to 6.50%.

All payments received from LGAs for project costs, interest and maturities of investments are deposited in the accounts of the Fresh Water 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 6.

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 are to be repaid by the solid waste facilities under terms of installment contracts over 12 to 20 years with interest at 5.60% to 5.70%.

(Continued)

(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 $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 4.28%.

(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 facilities 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, 2008, the Authority has approved $4,984,846 in grant assistance to forty 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 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, 2008 was $3,847,776.

(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, 2008, two loans have been awarded from this account totaling $651,575 over 15 years with interest at 4.67% to 5.34%.

(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, 2008, two loans have been awarded from this account totaling $251,281 over 20 and 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.

(Continued)

The purpose of the account is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's Fresh Water, Clean Water, Safe Water Refunding and Pure Water Refunding programs whose loan interest rates exceed 7.00%. The subsidy provided by this account reduces 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 Water Development Revenue Notes—RUS Loan Advance Series 1996-A, Series 1998-A, Series 1999-A, Series 2000-A, Series 2001-A, Series 2002-A, Series 2003, Series 2004-A, Series 2006-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 1.90% to 4.52%.

(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.

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, Series 2003 and Series 2007. The Water Development Revenue Refunding Bonds–Community Assistance Series 2005 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. The Water Development Revenue Refunding Bond Anticipation Notes, Series 2008A and 2008B, were issued to refund the Community Assistance Series 2007 Bonds. 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—Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002, Series 2004, and Water Development Revenue Notes – Fresh Water Commercial Paper Series 2007A, Series 2008D and Series 2008E were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue—Fresh Water Series 2001B, Series 2005 and Series 2006A Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002 and Series 2004 Bonds. All Fresh Water 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 Fresh Water construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 3.62% to 7.38%.

On December 1, 2007, the Refunding Fund and the Safe Water Refunding Fund (Prior Funds) were closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from the Prior Funds are deposited into the Cross-Collateralization account in the Fresh Water Fund and are not pledged towards outstanding Fresh Water debt. The balance of the Prior Program loans is repaid by LGAs under terms of installment contracts over periods of 23.5 to 40 years with interest rates of 5.25% to 12%.

(q) 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 1992 Series. The Water Development Revenue Refunding Bonds – Pure Water Series 2002A and Pure Water Series 2002B were issued for the purpose of refunding portions of outstanding Pure Water Series 1992 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, 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 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.

(r) 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
2005	60,663,240	12,132,648
2006	49,305,643	9,861,129
2007	60,252,687	12,050,537
Total	$ 1,470,392,304	294,082,027

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, Series 2000 and Series 2008 and Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004 and Series 2005B (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001 and Series 2005 and Water Quality Series 2003, Series 2004 and Series 2005 (WPCLF Bonds) were issued to refund portions of the State Match and Water Quality Series Bonds. 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.

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, 2008 was $16,304,337.

(s) 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 30 years with interest rates of 0.00% 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
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
2007	24,671,000	4,934,200
2008	24,421,000	4,884,200
Total	$ 312,849,400	62,569,880

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 and Notes—State Match Series 2002 and Series 2004 and Leverage Series 2002, Series 2004, Series 2005B and Series 2006. Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to refund a portion of the Leverage Series 2002 Series Bonds and Leverage Series 2008 were issued to refund the Leverage Series 2006 Notes. 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.

(Continued)

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.

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 Authority has elected to not implement any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989.

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.

(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 these agreements, 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 6 & 7, respectively.

(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, 2008 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 loan 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.

(h) Capital Assets and Facilities

Capital assets of the Authority include an office building with attached garage, two parking lots, office furniture and equipment. 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, 2008 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)	628,314	–	–	628,314
Other (useful life: 3-10 years)	1,453,530	8,376	(17,674)	1,444,232
Total capital assets	$ 3,508,044	8,376	(17,674)	3,498,746
Less: Accumulated Depreciation-Building	(193,222)	(37,597)	–	(230,819)
Less: Accumulated Depreciation-Cap Impr	(119,118)	(31,939)	–	(151,057)
Less: Accumulated Depreciation-Other	(1,383,857)	(41,463)	17,674	(1,407,646)
Capital Assets, at Depreciated Cost	$ 1,811,847	(102,623)	–	1,709,224

(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, 2008
- Noncurrent: Due after December 31, 2009
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

Within the Fresh Water Fund and 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.

(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 $1,950,000. The Authority carries commercial liability insurance coverage in the amount of approximately $56,385,000. The Authority also carries premium-based medical, dental and vision coverage for all employees.

During 2008, 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

As of December 31, 2008, the Authority's carrying amount of deposits was $13,141,445 and bank balance of deposits was $12,931,710. Of this amount, $699,894 was covered by federal depository insurance, and $12,231,816 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, 2008 was $20,176,468. These deposits were collateralized with securities held by the bank’s agent but not in the Authority’s name.

The Authority's investment policy and relevant trust indentures, which are 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, the State Treasurer’s investment pool and any debt or fixed income security, the issuer of which is rated in the highest short-term or in the top three long-term categories. All investments must mature within five years 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.

As of December 31, 2008, the Authority had the following investments and maturities:

		Investment Maturity (in Years)			
Fund - Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	$5,167,513	2,752,241	2,415,272	-	-
Other Projects:					
U.S. Agencies	52,776,533	52,142,560	633,973	-	-
STAROhio	26,598,339	26,598,339	-	-	-
Money Market	4,261,902	4,261,902	-	-	-
	83,636,774	83,002,801	633,973	-	-
Rural Utility Services:					
STAROhio	3,056,521	3,056,521	-	-	-
Money Market	45,625,145	45,625,145	-	-	-
	48,681,666	48,681,666	-	-	-

(Continued)

Fund - Investment Type	Fair Value	Investment Maturity (in Years) - Continued Less than 1	1 - 5	6 - 10	More Than 10
Community Assistance:					
U.S. Treasuries	$3,631,210	-	3,631,210	-	-
STAROhio	15,477,744	15,477,744	-	-	-
Money Market	22,342,821	22,342,821	-	-	-
	41,451,775	37,820,565	3,631,210	-	-
Fresh Water:					
U.S. Treasuries	28,022,379	7,390,029	17,603,117	1,279,585	1,749,648
U.S. Agencies	81,261,044	17,490,183	63,770,861	-	-
Municipal Bonds	3,438,649	425,501	3,013,148	-	-
Collateralized Mortgage Oblig.	143,976	-	143,976	-	-
Investment Contract	5,478,315	-	-	-	5,478,315
STAROhio	97,559,378	97,559,378	-	-	-
Money Market	19,991,865	19,991,865	-	-	-
	235,895,606	142,856,956	84,531,102	1,279,585	7,227,963
Pure Water Refunding:					
U.S. Treasuries	18,459,413	1,662,857	16,707,036	89,520	-
U.S. Agencies	57,668,977	21,680,488	35,447,064	-	541,425
Municipal Bonds	2,023,791	343,512	1,680,279	-	-
Collateralized Mortgage Oblig.	139,346	-	139,346	-	-
STAROhio	1,899,487	1,899,487	-	-	-
Money Market	2,591,222	2,591,222	-	-	-
	82,782,236	28,177,566	53,973,725	89,520	541,425
Water Pollution Control Loan:					
U.S. Treasuries	57,991,967	110,724	56,562,181	842,375	476,687
U.S. Agencies	337,172,601	286,697,776	50,474,825	-	-
Investment Contract	18,646,838	-	-	-	18,646,838
STAROhio	230,498,016	230,498,016	-	-	-
Money Market	31,871,881	31,871,881	-	-	-
	676,181,303	549,178,397	107,037,006	842,375	19,123,525
Drinking Water Assistance:					
U.S. Agencies	29,803,836	21,002,684	5,869,530	2,931,622	-
STAROhio	80,399,810	80,399,810	-	-	-
Money Market	6,175,265	6,175,265	-	-	-
	116,378,911	107,577,759	5,869,530	2,931,622	-

The Authority's U.S. Treasuries, U.S. Agencies, municipal bonds and collateralized mortgage obligations 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, 2008, 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 investment contracts were unrated. The Authority's investments in municipal bonds and collateralized mortgage obligations were rated within the top two long-term categories by Moody's and/or Standard & Poor's. 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, 2008, 99.87% of the Authority's rated investments were rated in the highest short-term or long-term rating category.

As of December 31, 2008, 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	62%
	Federal Home Loan Mortgage Corporation	15%
	Federal National Mortgage Association	13%
	Federal Farm Credit Bank	10%
Other Projects	Federal Home Loan Bank	30%
	Federal National Mortgage Association	17%
Community Assistance	Federal Home Loan Mortgage Corporation	9%
Fresh Water	Federal National Mortgage Association	26%
	Federal Home Loan Mortgage Corporation	5%
Pure Water Refunding	Federal National Mortgage Association	32%
	Federal Home Loan Mortgage Corporation	17%
	Federal Home Loan Bank	17%
Water Pollution Control Loan	Federal National Mortgage Association	22%
	Federal Home Loan Bank	13%
	Federal Home Loan Mortgage Corporation	12%
Drinking Water Assistance	Federal National Mortgage Association	18%
	Federal Home Loan Bank	14%

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.

(Continued)

As of December 31, 2008, the Authority had cash and cash equivalents balances of $601,490,841, which includes accrued interest receivables on money market balances. Below is a reconciliation of Balance Sheet and Cash Flow cash and cash equivalents balances:

Fund		Balance Sheet Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Cash Flow Cash and Cash Equivalents Balance
Operating	$	260,829	-	260,829
Other Projects		30,952,553	(23,044)	30,929,509
Rural Utility Services		48,681,666	(4,731)	48,676,935
Community Assistance		38,531,588	(32,218)	38,499,370
Fresh Water		119,383,131	(128,123)	119,255,008
Pure Water Refunding		7,858,610	(7,109)	7,851,501
Water Pollution Control Loan		267,960,642	(292,644)	267,667,998
Drinking Water Assistance		87,861,822	(95,721)	87,766,101
	$	601,490,841	(583,590)	600,907,251

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which are caused by the timing of pending loan repayment allocations, consisted of $118,570 owed to the Operating Fund by the Drinking Water Assistance Fund on December 31, 2008.

(4) WATER DEVELOPMENT REVENUE NOTES—RURAL DEVELOPMENT LOAN ADVANCE SERIES

As of December 31, 2008, there was $31,000,000 of Water Development Revenue Notes—Rural Development Loan Advance Series 2006-A outstanding, as follows:

Interest Rate	Maturity		Current
4.00%	December 1, 2009	$	3,100,000
5.00%	December 1, 2009		27,900,000
			31,000,000
	Add: unamortized premium		342,268
		$	31,342,268

The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2009	$	1,392,417	31,000,000

The Rural Development Loan Advance Series 2006-A notes are not subject to optional or mandatory redemption prior to their stated maturity.

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.

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, 2008, there is $270,433 liability for these notes.

(5) WATER DEVELOPMENT REVENUE AND REFUNDING BONDS AND NOTES—COMMUNITY ASSISTANCE FUND

As of December 31, 2008, there was $ 106,080,000 of Community Assistance Water Development Revenue and Refunding Bonds and Notes outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2003	Serial	3.00% to 5.00%	2009-2017	$	1,755,000	10,085,000	11,840,000
	Term	4.625% to 5.00%	2014-2030		-	35,435,000	35,435,000
2005 ref	Serial	3.00% to 5.25%	2009-2017		2,580,000	20,310,000	22,890,000
	Term	4.10% to 4.625%	2018-2024		-	11,365,000	11,365,000
2008B	Note	4.00%	2009		24,550,000	-	24,550,000
Community Assistance Fund Totals					28,885,000	77,195,000	106,080,000
		Add: unamortized premiums			297,469	2,425,913	2,723,382
		Less: deferred loss			-	(2,297,845)	(2,297,845)
				$	29,182,469	77,323,068	106,505,537

The Community Assistance Fund debt service requirements to maturity are as follows:

Interest

		2003 Series	2005 Ref Series	2008B Series	Total
2009	$	2,157,538	1,518,366	889,256	4,565,160
2010		2,103,313	1,437,129	-	3,540,442
2011		2,042,675	1,343,679	-	3,386,354
2012		1,975,231	1,236,885	-	3,212,116
2013		1,902,700	1,096,973	-	2,999,673
2014-2018		8,006,050	3,547,879	-	11,553,929
2019-2023		4,979,375	1,157,146	-	6,136,521
2024-2028		2,178,059	40,269	-	2,218,328
2029-2030		230,875	-	-	230,875
		25,575,816	11,378,326	889,256	37,843,398

Principal

		2003 Series	2005 Ref Series	2008B Series	Total
2009	$	1,755,000	2,580,000	24,550,000	28,885,000
2010		1,815,000	2,655,000	-	4,470,000
2011		1,875,000	2,720,000	-	4,595,000
2012		1,950,000	2,690,000	-	4,640,000
2013		2,015,000	2,600,000	-	4,615,000
2014-2018		11,690,000	11,655,000	-	23,345,000
2019-2023		12,405,000	8,090,000	-	20,495,000
2024-2028		10,110,000	1,265,000	-	11,375,000
2029-2030		3,660,000	-	-	3,660,000
		47,275,000	34,255,000	24,550,000	106,080,000

Total

		2003 Series	2005 Ref Series	2008B Series	Total
2009	$	3,912,538	4,098,366	25,439,256	33,450,160
2010		3,918,313	4,092,129	-	8,010,442
2011		3,917,675	4,063,679	-	7,981,354
2012		3,925,231	3,926,885	-	7,852,116
2013		3,917,700	3,696,973	-	7,614,673
2014-2018		19,696,050	15,202,879	-	34,898,929
2019-2023		17,384,375	9,247,146	-	26,631,521
2024-2028		12,288,059	1,305,269	-	13,593,328
2029-2030		3,890,875	-	-	3,890,875
	$	72,850,816	45,633,326	25,439,256	143,923,398

The Community Assistance Series bonds are subject to mandatory and optional redemption, by series, as follows:

a) Community Assistance Series 2003 – 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 any interest payment date thereafter at par plus accrued interest.
b) Community Assistance Refunding Series 2005 – The term bonds are subject to mandatory redemption beginning December 1, 2018. The term bonds maturing on or after December 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2015, or any interest payment date thereafter at par plus accrued interest.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Community Assistance project costs are insufficient to cover Community Assistance debt service requirements, unencumbered assets of the Community Assistance Fund Debt Service Reserve, Surplus and Construction accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of Community Assistance project costs was $10,270,079, compared to the required bond debt service payments of $8,644,844.

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, 2008, 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 the first May or November preceding the first bond maturity date (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 on the first day of each May and November, a 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.

d) To the Surplus account, on the first day of June and December of each year, remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date).

(Continued)

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.

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.

(6) WATER DEVELOPMENT REVENUE AND REFUNDING BONDS AND NOTES—FRESH WATER FUND

As of December 31, 2008, there was $473,595,000 of Fresh Water Development Revenue and Refunding Bonds and Notes outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
1998	Serial	5.25%	2009-2011	$	10,395,000	16,465,000	26,860,000
2001 A	Serial	4.00%	2009-2011		780,000	1,655,000	2,435,000
2001 A	Term	5.00% to 5.375%	2012-2017		-	4,445,000	4,445,000
2001 B	Serial	4.75% to 5.50%	2012-2021		-	52,175,000	52,175,000
2002	Serial	3.375% to 5.25%	2009-2012		3,845,000	11,745,000	15,590,000
	Term	4.75% to 5.375%	2013-2027		-	33,990,000	33,990,000
2004	Serial	3.75% to 5.00%	2009-2014		4,860,000	27,025,000	31,885,000
	Term	5.00% to 5.25%	2015-2022		-	46,805,000	46,805,000
2005 ref	Serial	5.00% to 5.50%	2011-2025		-	103,310,000	103,310,000
2006 ref	Term	5.25%	2023-2034		-	51,100,000	51,100,000
2008	Note	0.85% to 2.75%	2009		105,000,000	-	105,000,000
Fresh Water Fund Totals					124,880,000	348,715,000	473,595,000
		Add: unamortized premiums			-	23,145,852	23,145,852
		Less: deferred losses			-	(11,850,507)	(11,850,507)
				$	124,880,000	360,010,345	484,890,345

The Fresh Water Fund debt service requirements to maturity are as follows:

Interest

		1998 Series	2001 A&B Series	2002 Series	2004 Series
2009	$	1,274,306	3,189,525	2,344,781	3,857,383
2010		723,844	3,158,025	2,177,344	3,642,570
2011		147,394	3,125,225	2,004,619	3,412,970
2012		-	3,005,634	1,832,719	3,169,608
2013		-	2,618,313	1,646,097	2,894,858
2014-2018		-	7,426,947	5,358,622	10,109,145
2019-2023		-	875,388	4,407,644	2,284,663
2024-2028		-	-	1,217,306	-
2029-2033		-	-	-	-
2034		-	-	-	-
		2,145,544	23,399,057	20,989,132	29,371,197

Interest (continued)

		2005 Ref Series	2006 Ref Series	2008 CP Series	Total Interest
2009	$	5,566,913	2,682,750	540,294	19,455,952
2010		5,566,913	2,682,750	-	17,951,446
2011		5,566,913	2,682,750	-	16,939,871
2012		5,221,413	2,682,750	-	15,912,124
2013		4,954,538	2,682,750	-	14,796,556
2014-2018		19,892,425	13,413,750	-	56,200,889
2019-2023		6,449,300	13,168,050	-	27,185,045
2024-2028		155,375	7,895,344	-	9,268,025
2029-2033		-	2,751,656	-	2,751,656
2034		-	61,163	-	61,163
		53,373,790	50,703,713	540,294	180,522,727

Principal

		1998 Series	2001 A&B Series	2002 Series	2004 Series
2009	$	10,395,000	780,000	3,845,000	4,860,000
2010		10,850,000	810,000	4,000,000	5,070,000
2011		5,615,000	845,000	3,870,000	5,210,000
2012		-	6,965,000	3,875,000	5,430,000
2013		-	7,355,000	4,355,000	5,620,000
2014-2018		-	30,885,000	10,780,000	29,775,000
2019-2023		-	11,415,000	5,155,000	22,725,000
2024-2028		-	-	13,700,000	-
2029-2033		-	-	-	-
2034		-	-	-	-
		26,860,000	59,055,000	49,580,000	78,690,000

(Continued)

Debt service requirements (continued):

		Principal (continued)			
		2005 Ref Series	**2006 Ref Series**	**2008 CP Series**	**Total Principal**
2009	$	-	-	105,000,000	124,880,000
2010		-	-	-	20,730,000
2011		5,560,000	-	-	21,100,000
2012		5,470,000	-	-	21,740,000
2013		4,925,000	-	-	22,255,000
2014-2018		40,075,000	-	-	111,515,000
2019-2023		45,050,000	10,070,000	-	94,415,000
2024-2028		2,230,000	22,300,000	-	38,230,000
2029-2033		-	17,090,000	-	17,090,000
2034		-	1,640,000	-	1,640,000
		103,310,000	51,100,000	105,000,000	473,595,000

		Total			
		1998 Series	**2001 A&B Series**	**2002 Series**	**2004 Series**
2009	$	11,669,306	3,969,525	6,189,781	8,717,383
2010		11,573,844	3,968,025	6,177,344	8,712,570
2011		5,762,394	3,970,225	5,874,619	8,622,970
2012		-	9,970,634	5,707,719	8,599,608
2013		-	9,973,313	6,001,097	8,514,858
2014-2018		-	38,311,947	16,138,622	39,884,145
2019-2023		-	12,290,388	9,562,644	25,009,663
2024-2028		-	-	14,917,306	-
2029-2033		-	-	-	-
2034		-	-	-	-
	$	29,005,544	82,454,057	70,569,132	108,061,197

		Total (continued)			
		2005 Ref Series	**2006 Ref Series**	**2008 CP Series**	**Total**
2009	$	5,566,913	2,682,750	105,540,294	144,335,952
2010		5,566,913	2,682,750	-	38,681,446
2011		11,126,913	2,682,750	-	38,039,871
2012		10,691,413	2,682,750	-	37,652,124
2013		9,879,538	2,682,750	-	37,051,556
2014-2018		59,967,425	13,413,750	-	167,715,889
2019-2023		51,499,300	23,238,050	-	121,600,045
2024-2028		2,385,375	30,195,344	-	47,498,025
2029-2033		-	19,841,656	-	19,841,656
2034		-	1,701,163	-	1,701,163
	$	156,683,790	101,803,713	105,540,294	654,117,727

The Fresh Water Series bonds are subject to mandatory and optional redemption, by series, as follows:

a) Fresh Water Series 1998 – The 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.
b) Fresh Water Series 2001 A&B – The Series 2001 B bonds are not subject to redemption prior to maturity. The series A term bonds are subject to mandatory redemption beginning June 1, 2012. The series A 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 any interest payment thereafter at par plus accrued interest.
c) Fresh Water Series 2002 – The term bonds are subject to mandatory redemption beginning June 1, 2013. 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 June 1, 2012, or on any interest payment thereafter at par plus accrued interest.
d) Fresh Water Series 2004 – The term bonds are subject to mandatory redemption beginning June 1, 2015. 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, or on any interest payment thereafter at par plus accrued interest.
e) Fresh Water Refunding Series 2005 – The series 2005 bonds are not subject to redemption prior to maturity.
f) Fresh Water Refunding Series 2006 – The series 2006 bonds are not subject to optional redemption prior to their stated maturity. The term bonds are subject to mandatory redemption beginning December 1, 2022. The term bonds maturing on December 1, 2030 are subject to an extraordinary mandatory redemption at any time during the ninety day period following May 27, 2007, in whole or in part, at a redemption price equal to 105% of the amortized value of the bonds.

On September 14, 2006, the Authority entered into a twenty-year interest rate swap agreement for $103,310,000 of its Fresh Water Series Bonds. The effective date for this agreement is March 1, 2007. As a result of the agreement, the Authority receives interest payments from Morgan Stanley and UBS (the counterparties) based on 85.05% of the 10-year BMA swap rate and makes interest payments to the counterparties based on the weekly BMA Municipal Swap Index. As of December 31, 2008, the 10-year BMA swap rate was 2.43% and the weekly swap rate was .90%. The purpose of the swap is to allow the Authority to lower the net cost of borrowing for the Fresh Water Program. As of December 31, 2008, the swap had a positive fair value of $3,102,544, which was calculated using the par-value method. The risks associated with the swap are as follows:

a) Credit risk: As of December 31, 2008, the Authority was exposed to credit risk in the amount of the swap's value. If the credit rating of the counterparties should fall below A- by Moody's or A3 by Standard & Poor's, collateral equal to the value of the swap would be required to be posted by the counterparties. As of December 31, 2008, Morgan Stanley was rated A2 by Moody's and A by Standard & Poor's, and UBS was rated Aa2 by Moody's and A+ by Standard & Poor's.

b) Interest rate risk: The swap increases the Authority's exposure to interest rate risk. If the weekly BMA Municipal Swap Index were to be greater than 85.05% of the 10-year BMA swap rate, the Authority could have to make payments on the swap.

c) Termination risk: The swap may be terminated by the Authority or the counterparties for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the

Authority if the credit rating for the counterparties falls below Baa3 for Moody's or BBB- for Standard & Poor's. Should the swap be terminated, the Authority would either require payment from the counterparties or require the counterparties to assign its obligations under the swap to a substitute counterparty. If at termination the swap had a negative fair value, the Authority would be liable to the counterparties 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. In the event that LGA reimbursements of Fresh Water project costs are insufficient to cover Fresh Water debt service payments, unencumbered assets of the Fresh Water Fund Debt Service Reserve, Surplus, Cross-Collateralization, and Construction accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of Fresh Water project costs was $78,771,708, compared to the required bond debt service payments of $39,953,255.

The bond resolution provides for six separate accounts designated as the Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2008, 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 (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 the first day of June and December 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.

(Continued)

(7) WATER DEVELOPMENT REVENUE REFUNDING BONDS—PURE WATER FUND

As of December 31, 2008, there was $99,100,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002B	Serial	Variable	2009-2018		18,700,000	80,400,000	99,100,000
		Less: deferred losses			-	(4,763,990)	(4,763,990)
Pure Water Fund Totals				$	18,700,000	75,636,010	94,336,010

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, 2008 was 1.05%.

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), a subsidiary of J.P. Morgan, at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the 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 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, 2008, the swap had a negative fair value of $8,524,773, which was calculated using the Par-value method. The risks associated with the swap are as follows:

a) Credit risk: As of December 31, 2008, 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 & Poor’s as of December 31, 2008.

b) Basis risk: As of December 31, 2008, 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 a weekly reset, 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 & 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 Pure Water Fund debt service requirements to maturity are as follows:

		2002 B Series	
	Interest (a)	**Principal**	**Total**
2009	$ 4,288,375	18,700,000	22,988,375
2010	3,455,725	17,400,000	20,855,725
2011	2,670,850	17,100,000	19,770,850
2012	1,899,625	16,500,000	18,399,625
2013	1,167,075	12,300,000	13,467,075
2014-2018	1,656,200	17,100,000	18,756,200
	$ 15,137,850	99,100,000	114,237,850

(a) - The 2002 B Series debt service requirements to maturity are based on the swap fixed rate of 4.55%.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Pure Water project costs are insufficient to cover Pure Water debt service payments, unencumbered assets of the Pure Water Fund Debt Service Reserve and Surplus accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of Pure Water project costs was $35,971,064 compared to the required bond debt service payments of $8,470,438.

The bond resolution provides for five separate accounts designated as Pure Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of October 14, 2008, 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 (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.

(Continued)

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 POLLUTION CONTROL LOAN FUND REVENUE AND REFUNDING BONDS AND NOTES—STATE MATCH SERIES

As of December 31, 2008, there was $ 94,535,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds and Notes—State Match Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2000	Serial	5.00% to 5.50%	2009-2012	$	4,930,000	8,690,000	13,620,000
2001 ref	Serial	4.00% to 5.25%	2009-2016		7,245,000	20,075,000	27,320,000
2005 ref	Serial	4.00% to 5.00%	2013-2015		-	7,390,000	7,390,000
	Term	5.25%	2016-2021		-	6,205,000	6,205,000
2008	Note	3.00%	2009		40,000,000	-	40,000,000
WPCLF State Match Series Totals					52,175,000	42,360,000	94,535,000
		Add: unamortized premiums			405,765	1,427,254	1,833,019
		Less: deferred losses			-	(3,470,033)	(3,470,033)
				$	52,580,765	40,317,221	92,897,986

Prior redemption of WPCLF – State Match Series bonds, by series, is as follows:

a) State Match Series 2000 - 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.
b) State Match Refunding Series 2001 – 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.
c) State Match Refunding Series 2005 – The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2016. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

LGA reimbursements of WPCLF project costs of interest only, not the principal, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF interest project costs are insufficient to cover WPCLF State Match debt service payments, unencumbered assets of the WPCLF State Match Interest, Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of WPCLF interest project costs was $76,493,520 compared to the required bond debt service payments of $16,733,683.

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, 2008, there is a $12,576 accrued rebate liability for these bonds.

The WPCLF – State Match Series debt service requirements to maturity are as follows:

Interest

		2000 Series	2001 Ref Series	2005 Ref Series	2008 BAN Series	Total
2009	$	644,588	1,207,945	670,163	800,000	3,322,696
2010		388,150	864,120	670,163	-	1,922,433
2011		208,250	563,133	670,163	-	1,441,546
2012		91,000	353,158	670,163	-	1,114,321
2013		-	187,408	643,563	-	830,971
2014-2018		-	116,570	1,607,000	-	1,723,570
2019-2021		-	-	148,706	-	148,706
		1,331,988	3,292,334	5,079,921	800,000	10,504,243

Principal

		2000 Series	2001 Ref Series	2005 Ref Series	2008 BAN Series	Total
2009	$	4,930,000	7,245,000	-	40,000,000	52,175,000
2010		3,815,000	6,175,000	-	-	9,990,000
2011		2,480,000	5,000,000	-	-	7,480,000
2012		2,395,000	3,810,000	-	-	6,205,000
2013		-	2,680,000	2,510,000	-	5,190,000
2014-2018		-	2,410,000	9,050,000	-	11,460,000
2019-2021		-	-	2,035,000	-	2,035,000
		13,620,000	27,320,000	13,595,000	40,000,000	94,535,000

Total

		2000 Series	2001 Ref Series	2005 Ref Series	2008 BAN Series	Total
2009	$	5,574,588	8,452,945	670,163	40,800,000	55,497,696
2010		4,203,150	7,039,120	670,163	-	11,912,433
2011		2,688,250	5,563,133	670,163	-	8,921,546
2012		2,486,000	4,163,158	670,163	-	7,319,321
2013		-	2,867,408	3,153,563	-	6,020,971
2014-2018		-	2,526,570	10,657,000	-	13,183,570
2019-2021		-	-	2,183,706	-	2,183,706
	$	14,951,988	30,612,334	18,674,921	40,800,000	105,039,243

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.

d) To the Rebate Fund, as necessary to make any payment required under Section 148(f) of the Internal Revenue Code.

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.

(9) WATER POLLUTION CONTROL LOAN FUND REVENUE AND REFUNDING BONDS—WATER QUALITY SERIES

As of December 31, 2008, there was $ 1,345,175,053 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
1997	Serial	5.00%	2009-2010	$	11,430,000	6,220,000	17,650,000
2002	Serial	4.00% to 5.25%	2009-2014		1,985,000	24,000,000	25,985,000
2003	Serial	4.00% to 5.25%	2009-2015		16,065,000	100,665,000	116,730,000
2004	Serial	3.00% to 5.00%	2009-2025		19,605,000	432,530,000	452,135,000
2004 ref	Serial	5.00%	2010-2014		-	63,655,000	63,655,000
2005 ref	Serial	5.25% to 5.50%	2015-2023		-	215,445,000	215,445,000
2005B	Serial	4.25% to 5.00%	2009-2025		19,160,000	333,155,000	352,315,000
2005B	CABS*	4.06% to 4.45%	2012-2017		-	101,260,053	101,260,053
WPCLF Water Quality Series Totals					68,245,000	1,276,930,053	1,345,175,053
		Add: unamortized premiums			-	71,578,921	71,578,921
		Less: deferred losses			-	(24,556,233)	(24,556,233)
				$	68,245,000	1,323,952,741	1,392,197,741

CABS* - Capital Appreciation Bonds

Prior redemption of WPCLF – Water Quality Series bonds, by series, is as follows:

a) Water Quality Series 1997 – 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.
b) Water Quality Series 2002 – 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.
c) Water Quality Series 2003 – These bonds are not subject to mandatory or optional redemption prior to maturity.
d) Water Quality Series 2004 – 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.
e) Water Quality Refunding Series 2004 – These bonds are not subject to mandatory or optional redemption prior to maturity.
f) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.
g) Water Quality Series 2005B – The bonds maturing on or after December 1, 2017 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2015, at par plus accrued interest.

The WPCLF – Water Quality Series debt service requirements to maturity are as follows:

		Interest			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2009	$	743,750	1,291,438	5,618,238	22,242,995
2010		155,500	1,208,038	4,792,488	21,248,120
2011		-	1,100,663	3,983,338	19,972,495
2012		-	913,369	3,073,713	18,610,745
2013		-	655,988	2,178,338	17,159,870
2014-2018		-	318,806	1,835,925	63,138,560
2019-2023		-	-	-	26,012,500
2024-2025		-	-	-	1,432,625
		899,250	5,488,302	21,482,040	189,817,910

		Interest (continued)			
		2004 Ref Series	**2005 Ref Series**	**2005B Series**	**Total Interest**
2009	$	3,182,750	11,405,588	16,919,100	61,403,859
2010		3,182,750	11,405,588	16,001,350	57,993,834
2011		2,691,875	11,405,588	15,044,600	54,198,559
2012		2,009,625	11,405,588	14,277,350	50,290,390
2013		1,294,375	11,405,588	14,277,350	46,971,509
2014-2018		556,375	46,123,556	70,188,400	182,161,622
2019-2023		-	10,398,406	43,704,338	80,115,244
2024-2025		-	-	4,842,381	6,275,006
		12,917,750	113,549,902	195,254,869	539,410,023

		Principal			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2009	$	11,430,000	1,985,000	16,065,000	19,605,000
2010		6,220,000	2,325,000	17,870,000	24,795,000
2011		-	3,230,000	18,275,000	26,900,000
2012		-	4,560,000	17,945,000	28,535,000
2013		-	5,895,000	17,790,000	26,910,000
2014-2018		-	7,990,000	28,785,000	156,560,000
2019-2023		-	-	-	138,345,000
2024-2025		-	-	-	30,485,000
		17,650,000	25,985,000	116,730,000	452,135,000

Debt service requirements (continued):

		Principal (continued)			
		2004 Ref Series	**2005 Ref Series**	**2005B Series (a)**	**Total Principal**
2009	$	-	-	19,160,000	68,245,000
2010		6,465,000	-	18,525,000	76,200,000
2011		13,495,000	-	20,515,000	82,415,000
2012		14,145,000	-	22,280,000	87,465,000
2013		14,785,000	-	26,685,000	92,065,000
2014-2018		14,765,000	123,550,000	122,705,000	454,355,000
2019-2023		-	91,895,000	173,075,000	403,315,000
2024-2025		-	-	79,590,000	110,075,000
		63,655,000	215,445,000	482,535,000	1,374,135,000

		Total			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2009	$	12,173,750	3,276,438	21,683,238	41,847,995
2010		6,375,500	3,533,038	22,662,488	46,043,120
2011		-	4,330,663	22,258,338	46,872,495
2012		-	5,473,369	21,018,713	47,145,745
2013		-	6,550,988	19,968,338	44,069,870
2014-2018		-	8,308,806	30,620,925	219,698,560
2019-2023		-	-	-	164,357,500
2024-2025		-	-	-	31,917,625
	$	18,549,250	31,473,302	138,212,040	641,952,910

		Total (continued)			
		2004 Ref Series	**2005 Ref Series**	**2005B Series (a)**	**Total**
2009	$	3,182,750	11,405,588	36,079,100	129,648,859
2010		9,647,750	11,405,588	34,526,350	134,193,834
2011		16,186,875	11,405,588	35,559,600	136,613,559
2012		16,154,625	11,405,588	36,557,350	137,755,390
2013		16,079,375	11,405,588	40,962,350	139,036,509
2014-2018		15,321,375	169,673,556	192,893,400	636,516,622
2019-2023		-	102,293,406	216,779,338	483,430,244
2024-2025		-	-	84,432,381	116,350,006
	$	76,572,750	328,994,902	677,789,869	1,913,545,023

(a) Includes capital appreciation bonds at matured value

LGA reimbursements of WPCLF project costs of principal only, not the interest, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF principal project costs are insufficient to cover WPCLF Water Quality debt service payments, unencumbered assets of the WPCLF Water Quality Debt Service Reserve, Surplus and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of WPCLF principal project costs was $145,422,698, compared to the required bond debt service payments of $120,706,081.

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, 2008, there is a $285,095 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.

d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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.

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

As of December 31, 2008, there was $41,640,000 of Drinking Water Assistance Fund (DWAF) Revenue Bonds—State Match Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.00% to 5.00%	2009-2021	$	2,005,000	14,160,000	16,165,000
	Term	5.00%	2022-2023		-	115,000	115,000
2004	Serial	3.00% to 5.00%	2009-2013		2,470,000	9,075,000	11,545,000
	Term	4.25% to 5.00%	2014-2025		-	13,815,000	13,815,000
DWAF State Match Series Totals					4,475,000	37,165,000	41,640,000
		Add: unamortized premium (net)			-	911,216	911,216
				$	4,475,000	38,076,216	42,551,216

Prior redemption of DWAF – State Match Series bonds, by series, is as follows:

a) State Match Series 2002 – 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.

b) State Match Series 2004 – 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.

The DWAF State Match Series debt service requirements to maturity are as follows:

		Interest		
		2002 Series	2004 Series	Total
2009	$	703,869	1,144,263	1,848,132
2010		624,569	1,033,938	1,658,507
2011		548,394	915,063	1,463,457
2012		474,556	800,188	1,274,744
2013		404,244	700,613	1,104,857
2014-2018		1,062,938	2,210,063	3,273,001
2019-2023		112,750	545,806	658,556
2024-2025		-	19,019	19,019
		3,931,320	7,368,953	11,300,273

		Principal		
		2002 Series	2004 Series	Total
2009	$	2,005,000	2,470,000	4,475,000
2010		1,915,000	2,395,000	4,310,000
2011		1,815,000	2,320,000	4,135,000
2012		1,710,000	2,230,000	3,940,000
2013		1,590,000	2,130,000	3,720,000
2014-2018		5,835,000	8,770,000	14,605,000
2019-2023		1,410,000	4,600,000	6,010,000
2024-2025		-	445,000	445,000
		16,280,000	25,360,000	41,640,000

		Total		
		2002 Series	2004 Series	Total
2009	$	2,708,869	3,614,263	6,323,132
2010		2,539,569	3,428,938	5,968,507
2011		2,363,394	3,235,063	5,598,457
2012		2,184,556	3,030,188	5,214,744
2013		1,994,244	2,830,613	4,824,857
2014-2018		6,897,938	10,980,063	17,878,001
2019-2023		1,522,750	5,145,806	6,668,556
2024-2025		-	464,019	464,019
	$	20,211,320	32,728,953	52,940,273

LGA reimbursements of DWAF project costs of interest only, not the principal, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF interest project costs are insufficient to cover DWAF State Match debt service payments, unencumbered assets of the DWAF State Match Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of DWAF interest project costs was $13,883,314, compared to the required bond debt service payments of $6,656,130.

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, 2008, 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.

d) To the Rebate account, as necessary to make any payment required to be paid to the United States of America under Section 148(f) of the Code.

e) From and after any issuance of DWAF Support Obligations and for so long as any DWAF Support Obligations remain outstanding, to the DWAF Support Obligations Debt Service Fund, the balance of the Revenues to the extent required for the payment of accrued interest on and the payment of the principal of DWAF Support Obligations.

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.

(11) DRINKING WATER ASSISTANCE FUND REVENUE AND REFUNDING BONDS—LEVERAGE SERIES

As of December 31, 2008, there was $244,900,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—Leverage Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.00% to 5.375%	2009-2013	$	1,915,000	10,445,000	12,360,000
	Term	5.50%	2014		-	3,420,000	3,420,000
2004	Serial	2.75% to 5.00%	2009-2013		1,760,000	9,185,000	10,945,000
	Term	4.50% to 5.00%	2014-2025		-	51,660,000	51,660,000
2005 ref	Serial	5.00% to 5.25%	2015-2023		-	18,705,000	18,705,000
	Term	5.25%	2019-2022		-	17,860,000	17,860,000
2005B	Serial	3.75% to 5.00%	2009-2026		1,985,000	19,685,000	21,670,000
	Term	4.50% to 5.00%	2016-2025		-	36,365,000	36,365,000
2008	Serial	3.25% to 5.00%	2009-2018		2,505,000	26,780,000	29,285,000
	Term	5.00%	2019-2028		-	42,630,000	42,630,000
DWAF Leverage Series Totals					8,165,000	236,735,000	244,900,000
			Add: unamortized premiums		-	11,497,126	11,497,126
			Less: deferred loss		-	(2,304,209)	(2,304,209)
				$	8,165,000	245,927,917	254,092,917

Prior redemption of DWAF – Leverage Series bonds, by series, is as follows:

a) Leverage Series 2002 – 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.

b) Leverage Series 2004 – 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.

c) Leverage Refunding Series 2005 – The term bonds are subject to mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

d) Leverage Series 2005B – The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.

e) Leverage Refunding Series 2008 – The bonds maturing after June 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2018, at par plus accrued interest.

The DWAF Leverage Series debt service requirements to maturity are as follows:

Interest

		2002 Series	2004 Series	2005 Ref Series	2005B Series	2008 Series	Total
2009	$	698,531	2,834,819	1,910,175	2,667,031	3,190,038	11,300,594
2010		619,331	2,783,775	1,910,175	2,589,188	3,103,244	11,005,713
2011		528,481	2,712,175	1,910,175	2,498,288	3,018,419	10,667,538
2012		415,528	2,597,425	1,910,175	2,397,388	2,930,913	10,251,429
2013		289,272	2,509,575	1,910,175	2,286,088	2,840,481	9,835,591
2014-2018		142,450	10,533,713	8,056,975	9,273,113	12,544,413	40,550,664
2019-2023		-	5,673,100	1,994,606	5,516,869	8,761,750	21,946,325
2024-2028		-	506,588	-	906,138	3,308,125	4,720,851
		2,693,593	30,151,170	19,602,456	28,134,103	39,697,383	120,278,705

Principal

		2002 Series	2004 Series	2005 Ref Series	2005B Series	2008 Series	Total
2009	$	1,915,000	1,760,000	-	1,985,000	2,505,000	8,165,000
2010		2,180,000	1,975,000	-	2,210,000	2,590,000	8,955,000
2011		2,475,000	2,210,000	-	2,460,000	2,670,000	9,815,000
2012		2,735,000	2,535,000	-	2,715,000	2,760,000	10,745,000
2013		3,055,000	2,465,000	-	2,990,000	2,850,000	11,360,000
2014-2018		3,420,000	17,105,000	17,955,000	14,905,000	15,910,000	69,295,000
2019-2023		-	25,410,000	18,610,000	18,665,000	19,945,000	82,630,000
2024-2028		-	9,145,000	-	12,105,000	22,685,000	43,935,000
		15,780,000	62,605,000	36,565,000	58,035,000	71,915,000	244,900,000

Total

		2002 Series	2004 Series	2005 Ref Series	2005B Series	2008 Series	Total
2009	$	2,613,531	4,594,819	1,910,175	4,652,031	5,695,038	19,465,594
2010		2,799,331	4,758,775	1,910,175	4,799,188	5,693,244	19,960,713
2011		3,003,481	4,922,175	1,910,175	4,958,288	5,688,419	20,482,538
2012		3,150,528	5,132,425	1,910,175	5,112,388	5,690,913	20,996,429
2013		3,344,272	4,974,575	1,910,175	5,276,088	5,690,481	21,195,591
2014-2018		3,562,450	27,638,713	26,011,975	24,178,113	28,454,413	109,845,664
2019-2023		-	31,083,100	20,604,606	24,181,869	28,706,750	104,576,325
2024-2028		-	9,651,588	-	13,011,138	25,993,125	48,655,851
	$	18,473,593	92,756,170	56,167,456	86,169,103	111,612,383	365,178,705

LGA reimbursements of DWAF project costs of principal only, not the interest, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF principal project costs are insufficient to cover DWAF Leverage debt service payments, unencumbered assets of the DWAF Leverage Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2008, the amount received from reimbursements of DWAF principal project costs was $20,156,936, compared to the required bond debt service payments of $20,015,450.

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, 2008, there is a $240,721 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.

d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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.

(Continued)

(12) OUTSTANDING DEFEASED BONDS

For accounting purposes, the assets and liabilities for defeased bonds are not reflected in the Authority's financial statements. Below is a listing of Authority bonds remaining outstanding as of December 31, 2008 which has been defeased:

Series	Year Defeased	Balance Outstanding
Pollution Abatement Series II	1979	$1,700,000
Safe Water Series II & III	1985	10,085,000
Pure Water Series 1989 & 1990	1992	35,045,000
Fresh Water 1995	1998	16,255,000
Fresh Water 1998, 2001 & 2002	2005	51,620,000
Fresh Water 2004	2006	55,055,000
WPCLF State Match Series 2000	2005	14,075,000
WPCLF Water Quality Series 2002	2005	162,450,000
DWAF Leverage Series 2002	2005	37,500,000
	$	383,785,000

(13) 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, 2008, outstanding bonds and notes under this program total $2,217,205,000.

(14) 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 that administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2008, 2007 and 2006 were approximately $1,090,000, $994,000 and $995,000, respectively. In 2008, the employee and employer contribution rates were 10% and 14%, respectively, for all Authority employees. Total required employer contributions were approximately $153,000, $137,000 and $135,000 for the years ending December 31, 2008, 2007 and 2006, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the Traditional Pension and the Combined Plans.

(Continued)

Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Postretirement Healthcare

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension.*

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the portion of employer contributions allocated to the health care plan was 7.0% of covered payroll. The Authority's 2008 employer contributions made to fund post-employment benefits were $76,280, covering 20 participants. The Authority's 2007 and 2006 contributions to fund post employment benefits were $55,439 (18 participants) and $44,867 (20 participants), respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

(Continued)

(15) COMMITMENTS

As of December 31, 2008, the Authority has loan commitments to finance LGA construction projects in the following amounts:

Fund	Amount
Other Projects	$ 6,097,306
Rural Utility Services	4,005,814
Community Assistance	12,368,562
Fresh Water	95,344,381
Pure Water Refunding	309,800
Water Pollution Control Loan	369,732,579
Drinking Water Assistance	78,698,466
	$ 566,556,908

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.

(16) TRANSFERS

Interfund transfers for the year ended December 31, 2008 consisted of the following:

Transfer from Working Capital to:		
Fresh Water	$	(432,850)
Transfers from Other Projects to:		
Rural Utility Services		(11,500,000)
Community Assistance		(3,681)
Fresh Water		(1,331,138)
Pure Water Refunding		(1,288,487)
Water Pollution Control Loan		(12,468)
	$	(14,135,774)
Transfers to Rural Utility Services from:		
Other Projects		11,500,000
Fresh Water		3,500,000
	$	15,000,000
Transfers to (from) Community Assistance from (to):		
Other Projects		3,681
Pure Water Refunding		(789,876)
	$	(786,195)
Transfers to (from) Fresh Water from (to):		
Working Capital		432,850
Other Projects		1,331,138
Rural Utility Services		(3,500,000)
Pure Water Refunding		18,751,684
	$	17,015,672
Transfers to (from) Pure Water Refunding from (to):		
Other Projects		1,288,487
Community Assistance		789,876
Fresh Water		(18,751,684)
	$	(16,673,321)
Transfers to Water Pollution Control Loan from:		
Other Projects		12,468
Total Transfers, net	$	–

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, 2008, the Authority made non-routine transfers totaling $15,000,000 to the Rural Utilities Services Fund from the Other Projects and Fresh Water Funds for additional funding.

(17) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2008, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2007 Balance	Additions	Reductions	12/31/2008 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	$ 179,592	133,352	113,678	199,266	-	199,266
Revenue Bonds and Notes Payable	2,460,696,551	75,597,434	207,733,199	2,328,560,786	167,317,268	2,161,243,518
Total Long-Term Liabilities	$2,460,876,143	75,730,786	207,846,877	2,328,760,052	167,317,268	2,161,442,784

(18) CHANGES IN SHORT-TERM LIABILITIES

As of December 31, 2008, the Authority has short-term liabilities in the following amounts:

Short-Term Liability	12/31/2007 Balance	Additions	Reductions	12/31/2008 Balance
Revenue Notes Payable	25,000,000	309,951,963	164,698,729	170,253,234
Total Short-Term Liabilities	25,000,000	309,951,963	164,698,729	170,253,234

(19) SUBSEQUENT EVENT

Since December 31, 2008, the Authority has agreed in principal to issue $122,205,000 in Water Development Revenue Bonds - Fresh Water Series 2009 in April 2009. As these bonds will not be issued until 2009, they are not included in the long-term debt of the Authority as of December 31, 2008.

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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, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 25, 2009. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, and others within the Authority 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 25, 2009

Mary Taylor, CPA
Auditor of State

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 7, 2009

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