

**OHIO WATER  
DEVELOPMENT AUTHORITY**

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Financial Statements

December 31, 2005

(With Independent Auditor's Report Thereon)





**Auditor of State  
Betty Montgomery**

Ohio Water Development Authority  
408 South High St.  
Columbus, OH 43215

We have reviewed the *Independent Auditor's Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Water Development Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 3, 2006

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**OHIO WATER  
DEVELOPMENT AUTHORITY**

TABLE OF CONTENTS

|  |    |
|--|----|
| Independent Auditor’s Report.....  | 1  |
| Management’s Discussion & Analysis .....   | 3  |
| Combining Financial Statements:  |    |
| Balance Sheet.....   | 8  |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets.....   | 10 |
| Statement of Cash Flows.....   | 12 |
| Notes to Financial Statements.....   | 14 |
| <br>Individual Combining Statements:   |    |
| <br>Operating Fund   |    |
| Balance Sheet.....   | 8  |
| Statement of Revenues, Expenses and Changes in Fund Net Assets .....   | 10 |
| Statement of Cash Flows.....   | 12 |
| <br>Working Capital Fund   |    |
| Balance Sheet.....   | 8  |
| Statement of Revenues, Expenses and Changes in Fund Net Assets .....   | 10 |
| Statement of Cash Flows.....   | 12 |
| <br>Individual Schedules of Combining Statements:  |    |
| <br>Other Projects Fund:   |    |
| Unallocated Reserve, Interest Rate Management, Endowment Grant, Solid Waste,<br>Local Economic Development, Village Capital Improvements, Emergency Relief,<br>Dam Safety, Lake Erie Soil Erosion, Security Assistance and Interest Rate Subsidy |    |
| Schedule of Combining Balance Sheets.....  | 78 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....   | 80 |
| Schedule of Combining Statements of Cash Flows .....   | 82 |
| <br>Rural Utility Services Fund:   |    |
| Rural Development 1999, Rural Development 2000, Rural Development 2002,<br>Rural Development 2003 and Rural Development 2004   |    |
| Schedule of Combining Balance Sheets.....  | 84 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....   | 86 |
| Schedule of Combining Statements of Cash Flows .....   | 88 |
| <br>Community Assistance Fund:   |    |
| 1997 Community Assistance, 2003 Community Assistance, and 2005 Community Assistance Refunding  |    |
| Schedule of Combining Balance Sheets.....  | 91 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....   | 93 |
| Schedule of Combining Statements of Cash Flows .....   | 95 |

**OHIO WATER  
DEVELOPMENT AUTHORITY**

TABLE OF CONTENTS, Continued

Fresh Water Fund:

|  |     |
|--|-----|
| Fresh Water, 1995 Fresh Water, 1998 Fresh Water, 2001 Fresh Water, 2002 Fresh Water,<br>2004 Fresh Water, and 2005 Fresh Water Refunding |     |
| Schedule of Combining Balance Sheets.....  | 96  |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....   | 98  |
| Schedule of Combining Statements of Cash Flows .....   | 100 |

Refunding Fund:

|  |     |
|--|-----|
| 1985 Refunding and 1992 Clean Water  |     |
| Schedule of Combining Balance Sheets .....   | 103 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets..... | 105 |
| Schedule of Combining Statements of Cash Flows .....                                       | 107 |

Safe Water Refunding Fund:

|  |     |
|--|-----|
| Safe Water, 1987 Safe Water, 1992 Safe Water and 1997 Safe Water                           |     |
| Schedule of Combining Balance Sheets.....  | 108 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets..... | 110 |
| Schedule of Combining Statements of Cash Flows .....                                       | 112 |

Pure Water Refunding Fund:

|  |     |
|--|-----|
| 1992 Pure Water Refunding, 2002A Pure Water Refunding and 2002B Pure Water Refunding       |     |
| Schedule of Combining Balance Sheets.....  | 114 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets..... | 116 |
| Schedule of Combining Statements of Cash Flows .....                                       | 118 |

Water Pollution Control Loan Fund:

|   |     |
|---|-----|
| Water Pollution Control Loan, 1991 State Match Bond Proceeds, 1993 State Match Bond<br>Proceeds, 1995 State Match Bond Proceeds, 2000 State Match Bond Proceeds, 2001 State Match Bond<br>Proceeds, 2005 State Match Bond Proceeds Refunding, 1995 Water Quality Bond Proceeds, 1997 Water<br>Quality Bond Proceeds, 2001 Water Quality Note Proceeds, 2002 Water Quality Bond Proceeds, 2003<br>Water Quality Bond Proceeds, 2004 Water Quality Bond Proceeds, 2004 Water Quality Rev Ref Bond<br>Proceeds, 2005 Water Quality Bond Proceeds, and 2005 Water Quality Rev Ref Bond Proceeds |     |
| Schedule of Combining Balance Sheets.....   | 120 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....  | 124 |
| Schedule of Combining Statements of Cash Flows .....  | 128 |

Drinking Water Assistance Fund:

|   |     |
|---|-----|
| Drinking Water Assistance, 2001 State Match Note Proceeds, 2002 State Match Bond Proceeds,<br>2004 State Match Bond Proceeds, 2002 Leverage Bond Proceeds, 2004 Leverage Bond Proceeds, 2005<br>Refunding Leverage Bond Proceeds, and 2005B Leverage Bond Proceeds. |     |
| Schedule of Combining Balance Sheets.....   | 132 |
| Schedule of Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....  | 134 |
| Schedule of Combining Statements of Cash Flows .....  | 136 |

|  |     |
|--|-----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on<br>an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 139 |
|--|-----|



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
www.cshco.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2005, 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, 2005, 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 15, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 15, 2006

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

December 31, 2005

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, 2005. 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 2005 by \$150,993,519 or 6.65%.
- During 2005, the Authority's loan receivable balance increased by \$326,760,640 or 11.16%.
- In 2005, the Authority earned \$47,587,150 in investment income, which is a \$19,909,803 or 71.9% increase compared to 2004.

### Overview of the Financial Statements

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

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

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2005. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements and individual schedules of combining statements. The notes to financial statements can be found on pages 14-77 of this report.

**Individual schedules of combining statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The individual schedules of combining statements can be found on pages 78-137 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 2005 and 2004, 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, 2005 and December 31, 2004:

#### Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

|   | 2005        | 2004      | Dollar<br>Change | Total<br>Percent<br>Change |
|---|-------------|-----------|------------------|----------------------------|
| Current assets                                | \$103,197   | 103,223   | \$(26)           | (.03%)                     |
| Noncurrent restricted assets                  | 4,933,952   | 4,388,598 | 545,354          | 12.43%                     |
| Noncurrent unrestricted assets                | 80,666      | 68,585    | 12,081           | 17.61%                     |
| Capital assets                                | 2,063       | 2,222     | (159)            | (7.16%)                    |
| <b>Total assets</b>                           | 5,119,878   | 4,562,628 | 557,250          | 12.21%                     |
| Current liabilities                           | 216,327     | 159,320   | 57,007           | 35.78%                     |
| Noncurrent revenue bonds and<br>notes payable | 2,481,619   | 2,132,395 | 349,224          | 16.38%                     |
| Other noncurrent liabilities                  | 167         | 141       | 26               | 18.44%                     |
| <b>Total liabilities</b>                      | 2,698,113   | 2,291,856 | 406,257          | 17.73%                     |
| Net assets:                                   |             |           |                  |                            |
| Invested in capital assets                    | 2,063       | 2,222     | (159)            | (7.16%)                    |
| Restricted                                    | 2,274,289   | 2,124,820 | 149,469          | 7.03%                      |
| Unrestricted                                  | 145,413     | 143,730   | 1,683            | 1.17%                      |
| <b>Total net assets</b>                       | 2,421,765   | 2,270,772 | 150,993          | 6.65%                      |
| <b>Total liabilities and net assets</b>       | \$5,119,878 | 4,562,628 | \$557,250        | 12.21%                     |

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,421,765,165 as of December 31, 2005, \$2,274,288,707 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 2005, the Authority's net assets increased by \$150,993,519 or 6.65%. The majority of this increase was due to the following:

- A \$326,760,640 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A \$220,280,536 increase in cash, cash equivalents, and investments caused by the issuance of bonds.
- A \$379,468,496 increase in bonds and notes payable, the proceeds of which will be used to fund future loan receivables.

The following table summarizes the changes in revenues and expenses for the Authority between 2005 and 2004:

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

(all amounts expressed in thousands of dollars)

|   | 2005      | 2004    | Dollar<br>Change | Total<br>Percent<br>Change |
|---|-----------|---------|------------------|----------------------------|
| Operating revenues:                               |           |         |                  |                            |
| Loan income                                       | \$129,357 | 126,727 | \$2,630          | 2.08%                      |
| Investment income                                 | 47,587    | 27,677  | 19,910           | 71.94%                     |
| Administrative fees from projects                 | 3,657     | 3,138   | 519              | 16.54%                     |
| Total operating revenues                          | 180,601   | 157,542 | 23,059           | 14.64%                     |
| Operating expenses:                               |           |         |                  |                            |
| Interest on bonds and notes                       | 104,130   | 99,797  | 4,333            | 4.34%                      |
| Amortization of bond and<br>note issuance expense | 2,092     | 2,900   | (808)            | (27.86%)                   |
| Other   | 16,415    | 15,522  | 893              | 5.75%                      |
| Total operating expenses                          | 122,637   | 118,219 | 4,418            | 3.74%                      |
| Operating income                                  | 57,964    | 39,323  | 18,641           | 47.40%                     |
| Nonoperating other revenues                       | 1,657     | 2,681   | (1,024)          | (38.19%)                   |
| Contribution from U.S. EPA                        | 91,373    | 112,398 | (21,025)         | (18.71%)                   |
| Change in net assets                              | \$150,994 | 154,402 | (3,408)          | (2.21%)                    |

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest expense on bonds and notes. For the year ending December 31, 2005, the Authority had an increase in operating income compared to 2004 of \$18,641,399 or 47.40%. This increase was attributed to the following:

- A \$19,909,803 increase in investment income caused by a larger investment balance and an increase in the yields the Authority was able to obtain on securities traded in 2005.
- A \$2,630,855 increase in loan income caused by an increase in the loans receivable in 2005.
- A \$4,331,913 increase in interest on bonds and notes attributed to the increase in bonds and notes issued during 2005.

### Debt Administration

As of December 31, 2005, the Authority had bond and note principal outstanding of \$2,623,417,634. 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 2005 and 2004.

#### Outstanding Debt at December 31, 2005 and December 31, 2004

(net of discounts, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

|               | 2005                | 2004             |
|---------------|---------------------|------------------|
| Revenue Bonds | \$ 2,608,613        | 2,204,964        |
| Revenue Notes | 14,805              | 38,985           |
| Total         | <u>\$ 2,623,418</u> | <u>2,243,949</u> |

During 2005, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2005B
- Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2005B

During 2005, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Development Revenue Bonds—Community Assistance Refunding Series 2005 were issued to partially refund previously outstanding Water Development Revenue Bonds—Community Assistance Series 1997. This transaction enabled the Authority to save \$2,641,823 in future debt service payments.
- Water Development Revenue Bonds—Fresh Water Refunding Series 2005 were issued to partially refund previously outstanding Water Development Revenue Bonds—Fresh Water Improvement Series 1998, Series 2001A, and Series 2002. This transaction enabled the Authority to save \$9,429,947 in future debt service payments.
- Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2005 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 and State Match Series 2000. This transaction enabled the Authority to save \$1,287,746 in future debt service payments.

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 and Series 2002. This transaction enabled the Authority to save \$18,266,283 in future debt service payments.
- Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to partially refund previously outstanding Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002. This transaction enabled the Authority to save \$2,734,323 in future debt service payments.

The Authority continues to maintain strong bond ratings from Moody's, Standard & Poor's, and Fitch. The table below summarizes the bond ratings from Moody's and Standard and Poor's for the 2005 bond issuances of the Authority.

| <b>2005 Bond Ratings</b> |                |                              |              |
|--------------------------|----------------|------------------------------|--------------|
| <u>Bond Series</u>       | <u>Moody's</u> | <u>Standard &amp; Poor's</u> | <u>Fitch</u> |
| Community Assistance     | Aa3            | —                            | AA           |
| Fresh Water              | Aa1            | AAA                          | —            |
| WPCLF - State Match      | Aaa            | AAA                          | —            |
| WPCLF - Water Quality    | Aaa            | AAA                          | —            |
| DWAF Leverage            | Aaa            | AAA                          | —            |

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-74 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](http://www.owda.org).

## OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2005

|  | Trusteed Funds             |                            |                           |   |  |
|--|----------------------------|----------------------------|---------------------------|---|--|
|  | Operating<br>Fund          | Working<br>Capital<br>Fund | Other<br>Projects<br>Fund | Rural Utility<br>Services<br>Fund<br>(Note 4) | Community<br>Assistance<br>Fund (Notes<br>5,6, &7) |
| <b>Assets</b>  |                            |                            |                           |   |  |
| <b>Current assets:</b>   |                            |                            |                           |   |  |
| Cash and cash equivalents -- Note 2  | \$ 124,680                 | -                          | 25,240,079                | -   | -  |
| Investments -- Note 2  | 2,795,098                  | -                          | 73,100,402                | -   | -  |
| <b>Receivables:</b>  |                            |                            |                           |   |  |
| Loan and Fee receivables   | 699,403                    | -                          | 1,217,807                 | -   | -  |
| Other  | 19,607                     | -                          | -                         | -   | -  |
| Total current assets   | <u>3,638,788</u>           | <u>-</u>                   | <u>99,558,288</u>         | <u>-</u>                                      | <u>-</u>   |
| <b>Noncurrent assets:</b>  |                            |                            |                           |   |  |
| <b>Restricted grant, bond, and note covenant assets:</b>                         |                            |                            |                           |   |  |
| Cash and cash equivalents -- Note 2  | -                          | -                          | -                         | 15,493,533                                    | 15,151,093   |
| Investments -- Note 2  | -                          | -                          | -                         | 37,664  | 42,348,982   |
| Loan receivables   | -                          | 2,074,734                  | -                         | 18,464,513                                    | 147,493,905  |
| Total restricted assets  | <u>-</u>                   | <u>2,074,734</u>           | <u>-</u>                  | <u>33,995,710</u>                             | <u>204,993,980</u>                                 |
| Investments -- Note 2  | 3,301,783                  | -                          | 8,410,738                 | -   | -  |
| Loan receivables   | -                          | -                          | 21,843,022                | -   | -  |
| Other receivables  | -                          | -                          | -                         | -   | 133,960  |
| Deferred debt issuance and other expense   | -                          | -                          | -                         | 54,323  | 1,030,758  |
| Due from other funds -- Note 3   | 20,673                     | -                          | -                         | -   | -  |
| Capital assets, at depreciated cost  | 2,063,232                  | -                          | -                         | -   | -  |
| Total noncurrent assets  | <u>5,385,688</u>           | <u>-</u>                   | <u>30,253,760</u>         | <u>54,323</u>                                 | <u>1,164,718</u>                                   |
| <b>Total assets</b>  | <u><u>\$ 9,024,476</u></u> | <u><u>2,074,734</u></u>    | <u><u>129,812,048</u></u> | <u><u>34,050,033</u></u>                      | <u><u>206,158,698</u></u>                          |
| <b>Liabilities</b>   |                            |                            |                           |   |  |
| <b>Current liabilities:</b>  |                            |                            |                           |   |  |
| Accounts payable   | 125,276                    | -                          | 117,357                   | -   | -  |
| Total current liabilities  | <u>125,276</u>             | <u>-</u>                   | <u>117,357</u>            | <u>-</u>                                      | <u>-</u>   |
| <b>Current liabilities payable from restricted assets:</b>                       |                            |                            |                           |   |  |
| Due to other funds -- Note 3   | -                          | -                          | -                         | -   | -  |
| Accounts payable   | -                          | -                          | -                         | 518,383                                       | 907,746  |
| Accrued interest   | -                          | -                          | -                         | 39,580  | 346,336  |
| Revenue bonds and notes payable  | -                          | -                          | -                         | 9,827,000                                     | 3,715,000  |
| Total current liabilities payable from restricted assets                         | <u>-</u>                   | <u>-</u>                   | <u>-</u>                  | <u>10,384,963</u>                             | <u>4,969,082</u>                                   |
| <b>Noncurrent liabilities:</b>   |                            |                            |                           |   |  |
| Compensated absences   | 167,080                    | -                          | -                         | -   | -  |
| Revenue bonds and notes payable (net of discounts, premiums and deferred losses) | -                          | -                          | -                         | 4,978,000                                     | 90,466,081   |
| Total noncurrent liabilities   | <u>167,080</u>             | <u>-</u>                   | <u>-</u>                  | <u>4,978,000</u>                              | <u>90,466,081</u>                                  |
| Total liabilities  | <u>292,356</u>             | <u>-</u>                   | <u>117,357</u>            | <u>15,362,963</u>                             | <u>95,435,163</u>                                  |
| <b>Net Assets</b>  |                            |                            |                           |   |  |
| Invested in capital assets   | 2,063,232                  | -                          | -                         | -   | -  |
| Restricted for debt and grant covenants  | -                          | 2,074,734                  | -                         | 18,687,070                                    | 110,723,535  |
| Unrestricted   | 6,668,888                  | -                          | 129,694,691               | -   | -  |
| Total net assets   | <u>8,732,120</u>           | <u>2,074,734</u>           | <u>129,694,691</u>        | <u>18,687,070</u>                             | <u>110,723,535</u>                                 |
| <b>Total liabilities and net assets</b>  | <u><u>\$ 9,024,476</u></u> | <u><u>2,074,734</u></u>    | <u><u>129,812,048</u></u> | <u><u>34,050,033</u></u>                      | <u><u>206,158,698</u></u>                          |

See accompanying notes to financial statements.

Trusteed Funds

| Fresh Water<br>Fund (Notes 8,<br>9,10,11, &12) | Refunding<br>Fund | Safe Water<br>Refunding<br>Fund<br>(Note 13) | Pure Water<br>Refunding<br>Fund (Notes<br>14, 15 & 16) | Water Pollution Control<br>Loan Fund (Notes<br>(17,18,19,20,21,22<br>23,24,25,26 & 27) | Drinking Water<br>Assistance Fund<br>(Notes 28,29<br>30,31,32,33) | Total<br>Combining<br>2005 |
|--|-------------------|--|--|--|---|----------------------------|
| -  | -                 | -  | -  | -  | -   | 25,364,759                 |
| -  | -                 | -  | -  | -  | -   | 75,895,500                 |
| -  | -                 | -  | -  | -  | -   | 1,917,210                  |
| -  | -                 | -  | -  | -  | -   | 19,607                     |
| -  | -                 | -  | -  | -  | -   | 103,197,076                |
| 66,547,033                                     | 1,247,380         | 11,413,593                                   | 40,834,650   | 151,563,622  | 88,146,614  | 390,397,518                |
| 132,837,758                                    | 1,662             | 13,124,804                                   | 35,423,291   | 1,027,807,065  | 59,920,995  | 1,311,502,221              |
| 533,316,199                                    | 13,919,581        | 61,400,997                                   | 212,859,604  | 1,956,384,912  | 286,138,248   | 3,232,052,693              |
| <u>732,700,990</u>                             | <u>15,168,623</u> | <u>85,939,394</u>                            | <u>289,117,545</u>                                     | <u>3,135,755,599</u>   | <u>434,205,857</u>  | <u>4,933,952,432</u>       |
| -  | -                 | -  | -  | -  | -   | 11,712,521                 |
| -  | -                 | -  | -  | -  | -   | 21,843,022                 |
| 1,086,940                                      | -                 | 249,305                                      | -  | 3,221,199  | -   | 4,691,404                  |
| 3,534,918                                      | -                 | 163,528                                      | 1,730,422  | 33,856,723   | 1,960,451   | 42,331,123                 |
| -  | -                 | -  | 9,427  | 524  | 56,778  | 87,402                     |
| -  | -                 | -  | -  | -  | -   | 2,063,232                  |
| <u>4,621,858</u>                               | <u>-</u>          | <u>412,833</u>                               | <u>1,739,849</u>                                       | <u>37,078,446</u>  | <u>2,017,229</u>  | <u>82,728,704</u>          |
| <u>737,322,848</u>                             | <u>15,168,623</u> | <u>86,352,227</u>                            | <u>290,857,394</u>                                     | <u>3,172,834,045</u>   | <u>436,223,086</u>  | <u>5,119,878,212</u>       |
| -  | -                 | -  | -  | -  | -   | 242,633                    |
| -  | -                 | -  | -  | -  | -   | 242,633                    |
| 9,427  | -                 | -  | -  | 524  | 77,451  | 87,402                     |
| 5,171,277                                      | -                 | -  | 200,000  | 47,869,568   | 9,295,831   | 63,962,805                 |
| 1,801,293                                      | -                 | 154,284                                      | 674,477  | 6,049,340  | 1,170,183   | 10,235,493                 |
| <u>17,365,000</u>                              | <u>-</u>          | <u>17,335,000</u>                            | <u>37,375,000</u>                                      | <u>49,606,183</u>  | <u>6,575,000</u>  | <u>141,798,183</u>         |
| 24,346,997                                     | -                 | 17,489,284                                   | 38,249,477   | 103,525,615  | 17,118,465  | 216,083,883                |
| -  | -                 | -  | -  | -  | -   | 167,080                    |
| 421,875,681                                    | -                 | 13,797,759                                   | 127,932,147  | 1,580,503,148  | 242,066,635   | 2,481,619,451              |
| <u>421,875,681</u>                             | <u>-</u>          | <u>13,797,759</u>                            | <u>127,932,147</u>                                     | <u>1,580,503,148</u>   | <u>242,066,635</u>  | <u>2,481,786,531</u>       |
| 446,222,678                                    | -                 | 31,287,043                                   | 166,181,624  | 1,684,028,763  | 259,185,100   | 2,698,113,047              |
| -  | -                 | -  | -  | -  | -   | 2,063,232                  |
| 291,100,170                                    | 15,168,623        | 55,065,184                                   | 115,626,123  | 1,488,805,282  | 177,037,986   | 2,274,288,707              |
| -  | -                 | -  | 9,049,647  | -  | -   | 145,413,226                |
| <u>291,100,170</u>                             | <u>15,168,623</u> | <u>55,065,184</u>                            | <u>124,675,770</u>                                     | <u>1,488,805,282</u>   | <u>177,037,986</u>  | <u>2,421,765,165</u>       |
| <u>737,322,848</u>                             | <u>15,168,623</u> | <u>86,352,227</u>                            | <u>290,857,394</u>                                     | <u>3,172,834,045</u>   | <u>436,223,086</u>  | <u>5,119,878,212</u>       |

## OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year ended December 31, 2005

|  | Trusteed Funds      |                            |                           |   |  |
|--|---------------------|----------------------------|---------------------------|---|--|
|  | Operating<br>Fund   | Working<br>Capital<br>Fund | Other<br>Projects<br>Fund | Rural Utility<br>Services<br>Fund<br>(Note 4) | Community<br>Assistance<br>Fund (Notes<br>5,6,& 7) |
| Operating revenues:                              |                     |                            |                           |   |  |
| Loan income                                      | \$ -                | 154,277                    | 724,239                   | 839,924                                       | 2,644,606  |
| Investment income                                | 118,110             | -                          | 3,066,819                 | 466,580                                       | 1,682,359  |
| Administrative fees from projects                | 2,995,528           | -                          | -                         | -   | -  |
| Total operating revenues                         | <u>3,113,638</u>    | <u>154,277</u>             | <u>3,791,058</u>          | <u>1,306,504</u>                              | <u>4,326,965</u>                                   |
| Operating expenses:                              |                     |                            |                           |   |  |
| Interest on bonds and notes                      | -                   | -                          | -                         | 699,890                                       | 4,270,223  |
| Amortization of bond and note issuance expense   | -                   | -                          | -                         | 88,513  | 61,176   |
| Other  | 2,487,430           | -                          | 576,918                   | 164,142                                       | 60,915   |
| Total operating expenses                         | <u>2,487,430</u>    | <u>-</u>                   | <u>576,918</u>            | <u>952,545</u>                                | <u>4,392,314</u>                                   |
| Operating income (loss)                          | <u>626,208</u>      | <u>154,277</u>             | <u>3,214,140</u>          | <u>353,959</u>                                | <u>(65,349)</u>                                    |
| Nonoperating other revenues (expenses)           | 19,314              | -                          | -                         | -   | -  |
| Income (loss) before contributions and transfers | <u>645,522</u>      | <u>154,277</u>             | <u>3,214,140</u>          | <u>353,959</u>                                | <u>(65,349)</u>                                    |
| Contribution from U.S. EPA                       | -                   | -                          | -                         | -   | -  |
| Transfers in (out), net--Note 37                 | <u>-</u>            | <u>(309,642)</u>           | <u>(2,597,125)</u>        | <u>-</u>                                      | <u>54,529</u>                                      |
| Change in net assets                             | 645,522             | (155,365)                  | 617,015                   | 353,959                                       | (10,820)   |
| Net assets at beginning of year                  | 8,086,598           | 2,230,099                  | 129,077,676               | 18,333,111                                    | 110,734,355  |
| Net assets at end of year                        | <u>\$ 8,732,120</u> | <u>2,074,734</u>           | <u>129,694,691</u>        | <u>18,687,070</u>                             | <u>110,723,535</u>                                 |

See accompanying notes to financial statements.

Trusteed Funds

| Fresh Water<br>Fund (Notes 8,<br>9,10,11 & 12) | Refunding<br>Fund  | Safe Water<br>Refunding<br>Fund<br>(Note 13) | Pure Water<br>Refunding<br>Fund (Notes<br>14, 15 & 16) | Water Pollution Control<br>Loan Fund (Notes<br>17,18,19,20,21,22<br>23,24,25,26 & 27) | Drinking Water<br>Assistance Fund<br>(Notes 28,29<br>30,31,32,33) | Total<br>Combining<br>2005 |
|--|--------------------|--|--|---|---|----------------------------|
| 26,173,477                                     | 914,779            | 7,703,625                                    | 17,657,991   | 63,621,341  | 8,922,954   | 129,357,213                |
| 6,987,822                                      | 107,562            | 661,998                                      | 2,004,626  | 28,597,804  | 3,893,470   | 47,587,150                 |
| -  | -                  | -  | -  | -   | 660,982   | 3,656,510                  |
| <u>33,161,299</u>                              | <u>1,022,341</u>   | <u>8,365,623</u>                             | <u>19,662,617</u>                                      | <u>92,219,145</u>   | <u>13,477,406</u>   | <u>180,600,873</u>         |
| 20,834,354                                     | -                  | 2,780,764                                    | 10,557,994   | 56,952,846  | 8,033,389   | 104,129,460                |
| 358,169  | -                  | 186,348                                      | 535,536  | 781,510   | 81,233  | 2,092,485                  |
| 278,335  | 11,853             | 3,112,777                                    | 2,866,672  | 4,245,291   | 2,610,641   | 16,414,974                 |
| <u>21,470,858</u>                              | <u>11,853</u>      | <u>6,079,889</u>                             | <u>13,960,202</u>                                      | <u>61,979,647</u>   | <u>10,725,263</u>   | <u>122,636,919</u>         |
| <u>11,690,441</u>                              | <u>1,010,488</u>   | <u>2,285,734</u>                             | <u>5,702,415</u>                                       | <u>30,239,498</u>   | <u>2,752,143</u>  | <u>57,963,954</u>          |
| 1,260,742                                      | -                  | 167,692                                      | -  | 208,822   | -   | 1,656,570                  |
| <u>12,951,183</u>                              | <u>1,010,488</u>   | <u>2,453,426</u>                             | <u>5,702,415</u>                                       | <u>30,448,320</u>   | <u>2,752,143</u>  | <u>59,620,524</u>          |
| -  | -                  | -  | -  | 77,321,215  | 14,051,780  | 91,372,995                 |
| <u>(4,966,897)</u>                             | <u>(5,189,651)</u> | <u>(1,736,003)</u>                           | <u>14,631,651</u>                                      | <u>42,652</u>   | <u>70,486</u>   | <u>-</u>                   |
| 7,984,286                                      | (4,179,163)        | 717,423                                      | 20,334,066   | 107,812,187   | 16,874,409  | 150,993,519                |
| 283,115,884                                    | 19,347,786         | 54,347,761                                   | 104,341,704  | 1,380,993,095   | 160,163,577   | 2,270,771,646              |
| <u>291,100,170</u>                             | <u>15,168,623</u>  | <u>55,065,184</u>                            | <u>124,675,770</u>                                     | <u>1,488,805,282</u>  | <u>177,037,986</u>  | <u>2,421,765,165</u>       |

## OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2005

|  | Trusteed Funds    |                            |                           |   |  |
|--|-------------------|----------------------------|---------------------------|---|--|
|  | Operating<br>Fund | Working<br>Capital<br>Fund | Other<br>Projects<br>Fund | Rural Utility<br>Services<br>Fund<br>(Note 4) | Community<br>Assistance<br>Fund (Notes<br>5,6 & 7) |
| <b>Operating activities:</b>   |                   |                            |                           |   |  |
| Administrative fees from projects  | \$ 2,833,000      | -                          | -                         | -   | -  |
| Operating expenses   | (1,080,872)       | -                          | (116,665)                 | (164,142)                                     | (6,387)  |
| Salaries and fringes expense   | (1,394,852)       | -                          | -                         | -   | -  |
| Net cash (used) by operating activities  | 357,276           | -                          | (116,665)                 | (164,142)                                     | (6,387)  |
| <b>Investing activities:</b>   |                   |                            |                           |   |  |
| Proceeds from maturity or sale of investments  | 2,895,109         | -                          | 168,142,807               | -   | 9,169,370  |
| Purchase of investments  | (4,134,342)       | -                          | (161,583,340)             | -   | (1,460,092)  |
| Interest received on investments, net<br>of purchased interest                                   | 126,535           | -                          | 2,800,711                 | 472,043                                       | 1,681,096  |
| Interest received on projects  | -                 | -                          | 665,439                   | -   | 2,414,703  |
| Principal collected on projects  | -                 | -                          | 2,649,907                 | 25,323,829                                    | 5,903,807  |
| Payment for construction of projects   | -                 | -                          | (7,396,664)               | (9,469,775)                                   | (18,036,983)                                       |
| Net cash provided (used) by investing activities   | (1,112,698)       | -                          | 5,278,860                 | 16,326,097                                    | (328,099)  |
| <b>Noncapital financing activities:</b>  |                   |                            |                           |   |  |
| Interest paid on bonds and notes, net<br>of purchased interest                                   | -                 | -                          | -                         | (716,124)                                     | (4,171,106)  |
| Proceeds of bonds and notes  | -                 | -                          | -                         | -   | 39,359,465   |
| Bond and note issuance expense   | -                 | -                          | -                         | -   | (408,805)  |
| Redemption of bonds and notes  | -                 | -                          | -                         | (24,180,000)                                  | (42,239,290)                                       |
| Contribution from U.S. EPA   | -                 | -                          | -                         | -   | -  |
| Other  | 695,463           | -                          | 1,260,742                 | -   | -  |
| Transfers (to) from other funds  | -                 | -                          | (3,857,872)               | -   | 54,528   |
| Net cash provided (used) by<br>noncapital financing activities                                   | 695,463           | -                          | (2,597,130)               | (24,896,124)                                  | (7,405,208)  |
| Net increase (decrease) in cash<br>and cash equivalents  | (59,959)          | -                          | 2,565,065                 | (8,734,169)                                   | (7,739,694)  |
| Cash and cash equivalents at<br>beginning of year  | 184,639           | -                          | 22,675,014                | 24,227,702                                    | 22,890,787   |
| Cash and cash equivalents at<br>end of year -- Note 2  | \$ 124,680        | -                          | 25,240,079                | 15,493,533                                    | 15,151,093   |
| <b>Reconciliation of operating income (loss) to<br/>net cash (used) by operating activities:</b> |                   |                            |                           |   |  |
| Operating income (loss)  | 626,208           | 154,277                    | 3,214,140                 | 353,959                                       | (65,349)   |
| Adjustments:   |                   |                            |                           |   |  |
| Investment income  | (118,110)         | -                          | (3,066,819)               | (466,580)                                     | (1,682,359)  |
| Operating expenses   | -                 | -                          | 460,253                   | -   | 54,528   |
| Interest on bonds and notes  | -                 | -                          | -                         | 699,890                                       | 4,270,223  |
| Loan income  | -                 | (154,277)                  | (724,239)                 | (839,924)                                     | (2,644,606)  |
| Amortization of bond and note issuance expense   | -                 | -                          | -                         | 88,513  | 61,176   |
| Net change in other assets and other liabilities   | (150,822)         | -                          | -                         | -   | -  |
| Net cash (used) by operating activities  | \$ 357,276        | -                          | (116,665)                 | (164,142)                                     | (6,387)  |

See accompanying notes to financial statements.

Trusteed Funds

| Fresh Water<br>Fund (Notes 8,<br>9,10,11 & 12) | Refunding<br>Fund | Safe Water<br>Refunding<br>Fund<br>(Note 13) | Pure Water<br>Refunding<br>Fund (Notes<br>14, 15 & 16) | Water Pollution Control<br>Loan Fund (Notes<br>17,18,19,20,21,22<br>23,24,25,26 & 27) | Drinking Water<br>Assistance Fund<br>(Notes 28,29<br>30,31,32,33) | Total<br>Combining<br>2005 |
|--|-------------------|--|--|---|---|----------------------------|
| -  | -                 | -  | -  | -   | 504,647   | 3,337,647                  |
| (116,167)                                      | (3,754)           | (9,501)                                      | (320,903)  | (4,101,078)   | (2,598,805)   | (8,518,274)                |
| -  | -                 | -  | -  | -   | -   | (1,394,852)                |
| (116,167)                                      | (3,754)           | (9,501)                                      | (320,903)  | (4,101,078)   | (2,094,158)   | (6,575,479)                |
| 932,061,442                                    | -                 | -  | 270,826,083  | 10,194,094,128  | 5,413,827   | 11,582,602,766             |
| (875,272,152)                                  | -                 | (13,099,512)                                 | (254,376,267)  | (10,476,846,216)  | (59,705,384)  | (11,846,477,305)           |
| 7,102,058                                      | 107,803           | 661,820                                      | 2,532,052  | 22,612,289  | 3,573,153   | 41,669,560                 |
| 23,148,501                                     | 1,136,821         | 5,236,683                                    | 16,062,458   | 57,102,324  | 6,581,427   | 112,348,356                |
| 28,238,532                                     | 3,795,002         | 16,198,052                                   | 26,901,584   | 99,508,529  | 8,803,268   | 217,322,510                |
| (77,474,056)                                   | -                 | -  | (491,073)  | (336,624,818)   | (66,366,410)  | (515,859,779)              |
| 37,804,325                                     | 5,039,626         | 8,997,043                                    | 61,454,837   | (440,153,764)   | (101,700,119)   | (408,393,892)              |
| (20,159,198)                                   | -                 | (4,807,974)                                  | (9,778,566)  | (57,315,627)  | (7,991,188)   | (104,939,783)              |
| 119,522,341                                    | -                 | -  | -  | 738,277,639   | 104,661,617   | 1,001,821,062              |
| (892,447)                                      | -                 | -  | -  | (5,313,599)   | (759,964)   | (7,374,815)                |
| (135,884,330)                                  | -                 | (15,548,076)                                 | (39,155,000)   | (313,961,385)   | (45,487,700)  | (616,455,781)              |
| -  | -                 | -  | -  | 77,321,215  | 14,157,336  | 91,478,551                 |
| -  | -                 | -  | (322,600)  | (480,142)   | (249,915)   | 903,548                    |
| (3,706,151)                                    | (5,499,285)       | (1,736,002)                                  | 14,631,650   | 42,650  | 70,482  | -                          |
| (41,119,785)                                   | (5,499,285)       | (22,092,052)                                 | (34,624,516)   | 438,570,751   | 64,400,668  | 365,432,782                |
| (3,431,627)                                    | (463,413)         | (13,104,510)                                 | 26,509,418   | (5,684,091)   | (39,393,609)  | (49,536,589)               |
| 69,978,660                                     | 1,710,793         | 24,518,103                                   | 14,325,232   | 157,247,713   | 127,540,223   | 465,298,866                |
| 66,547,033                                     | 1,247,380         | 11,413,593                                   | 40,834,650   | 151,563,622   | 88,146,614  | 415,762,277                |
| 11,690,441                                     | 1,010,488         | 2,285,734                                    | 5,702,415  | 30,239,498  | 2,752,143   | 57,963,954                 |
| (6,987,822)                                    | (107,562)         | (661,998)                                    | (2,004,626)  | (28,597,804)  | (3,893,470)   | (47,587,150)               |
| 162,168  | 8,099             | 3,103,276                                    | 2,545,769  | 144,213   | 11,836  | 6,490,142                  |
| 20,834,354                                     | -                 | 2,780,764                                    | 10,557,994   | 56,952,846  | 8,033,389   | 104,129,460                |
| (26,173,477)                                   | (914,779)         | (7,703,625)                                  | (17,657,991)   | (63,621,341)  | (8,922,954)   | (129,357,213)              |
| 358,169  | -                 | 186,348                                      | 535,536  | 781,510   | 81,233  | 2,092,485                  |
| -  | -                 | -  | -  | -   | (156,335)   | (307,157)                  |
| (116,167)                                      | (3,754)           | (9,501)                                      | (320,903)  | (4,101,078)   | (2,094,158)   | (6,575,479)                |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

December 31, 2005

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

#### ***Authorizing Legislation***

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

#### ***Reporting Entity***

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

#### ***Programs***

The Authority has established the following programs:

##### ***Local Communities***

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### ***Industrial***

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 34. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

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

### ***Basis of Presentation—Fund Accounting***

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

#### ***(a) Operating Fund***

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

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

#### ***(b) Working Capital Fund***

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

**(c) *Other Projects Fund – Unallocated Reserve***

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

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

**(d) *Other Projects Fund – Interest Rate Management***

The Interest Rate Management Account was established during 2004 by a resolution of the Authority and is administered by a Trustee. Initial funding for the Interest Rate Management Account was provided by the proceeds received on an interest rate swap agreement as described in Note 10.

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%.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### **(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 6.62%.

### **(h) *Other Projects Fund – Village Capital Improvements***

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

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

### **(i) *Other Projects Fund – Emergency Relief***

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

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

As of December 31, 2005, the Authority has approved \$4,968,697 in assistance to thirty-eight communities for damage caused by flooding in Ohio.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

**(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, 2005 was \$4,272,000.

**(k) Other Projects Fund – Lake Erie Soil Erosion**

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

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

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2005, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

**(l) Other Projects Fund – Security Assistance**

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

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

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2005, one loan has been awarded from this account in the amount of \$200,000 over 30 years.

**(m) Other Projects Fund – Interest Rate Subsidy**

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The purpose of the account is to provide a subsidy to local governments in Ohio that obtained financing under the Authority's Fresh Water, Clean Water, Safe Water 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 Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 1996-A, RD Loan Advance Series 1998-A, Series 1999-A, Series 2000-A, Series 2001-A and Series 2002-A, the Adjustable Rate Water Development Refunding and Improvement Revenue Notes—RD Loan Advance Series 2003, the Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 2004-A, and monetary transfers from the Fresh Water Fund.

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.90% to 3.84%.

**(o) Community Assistance Fund**

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

The balance of the construction costs is paid by the LGA under the terms of installment contracts over periods of 19.5 to 30 years with interest at 1.00% to 3.11%. LGA payments of construction costs may be used for providing additional funding for qualifying projects.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### **(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, Fresh Water Series 1998, Fresh Water Series 2001A, Fresh Water Series 2002, and Fresh Water Series 2004 were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue — Fresh Water Series 2001B and Fresh Water Series 2005 Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Fresh Water Series 1998, Fresh Water Series 2001A, and Fresh Water Series 2002 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

The balance of construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 3.75% to 7.38%.

### **(q) *Refunding Fund***

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

The Refunding Fund was established to provide additional funding necessary for the construction of LGA projects in addition to those financed by the State appropriation, referred to previously. Similar to the Working Capital Fund, certain project costs financed were reimbursed by federal grants in amounts up to 75% of the total eligible construction costs. The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 25 to 40 years with interest rates of 5.25% to 11.35%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### **(r) *Safe Water Refunding Fund***

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

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

### **(s) *Pure Water Refunding Fund***

The Pure Water Refunding Fund consists of various accounts which were established by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement 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.

### **(t) *Water Pollution Control Loan Fund***

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

| Year<br>Awarded | Capitalization<br>Grant | State<br>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         |
| Total           | <u>\$ 1,360,833,974</u> | <u>272,170,361</u> |

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, State Match Series 1993, State Match Series 1995, State Match Series 2000, Water Quality Series 1995, Water Quality Series 1997, Water Quality Series 2001, Water Quality Series 2002, Water Quality Series 2004, and Water Quality Series 2005B (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001, State Match Series 2005, Water Quality Series 2003, Water Quality Series 2004, and Water Quality 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, 2005 was \$11,364,000.

**(u) *Drinking Water Assistance Fund***

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

| Year<br>Awarded | Capitalization<br>Grant | State<br>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         |
| Total           | <u>\$ 239,086,500</u>   | <u>47,817,300</u> |

The DWAF received additional funding from the proceeds of the Drinking Water Assistance Fund Revenue Bond Anticipation Notes—State Match Series 2001 and the Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002, State Match Series 2004, Leverage Series 2002, Leverage Series 2004, and Leverage Series 2005B. Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to refund a portion of the Leverage Series 2002 Series Bonds. The DWAF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

### ***Summary of Significant Accounting Policies***

#### ***(a) Basis of Accounting***

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

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.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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 this agreement, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreements within the Fresh Water Fund and Pure Water Refunding Fund, see Notes 10 & 16, 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, 2005 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

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

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

Capital asset activity for the year ended December 31, 2005 was as follows:

|  | Beginning<br>Balance | Additions | Deletions | Ending<br>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)              | 1,375,666            | 33,504    | –         | 1,409,170         |
| Total capital assets                         | \$ 3,430,180         | 33,504    | –         | 3,463,684         |
| Less: accumulated depreciation-Building      | (80,740)             | (37,494)  | –         | (118,234)         |
| Less: accumulated depreciation-Cap Impr      | (23,562)             | (31,852)  | –         | (55,414)          |
| Less: accumulated depreciation-Other         | (1,104,083)          | (122,720) | –         | (1,226,803)       |
| Capital assets, at depreciated cost          | \$ 2,221,795         | (158,562) | –         | 2,063,233         |

**(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, 2005
- Noncurrent: Due after December 31, 2006
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

**(j) Revenue and Expense Classifications**

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

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

**(k) Risk Management**

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

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

During 2005, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

**(2) CASH AND INVESTMENTS**

The Authority's carrying amount and bank balance of deposits as of December 31, 2005 was \$22,597,965. Of this amount, \$400,000 was covered by federal depository insurance, and \$22,197,965 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, 2005 was \$15,658,818. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

As of December 31, 2005, the Authority had the following investments and maturities:

| Fund – Investment Type         | Fair Value  | Investment Maturities (in Years) |            |           |              |
|--------------------------------|-------------|----------------------------------|------------|-----------|--------------|
|                                |             | Less than 1                      | 1 - 5      | 6 – 10    | More than 10 |
| <b>Operating:</b>              |             |                                  |            |           |              |
| U.S. Agencies                  | \$6,096,881 | 2,801,325                        | 3,295,556  | -         | -            |
| Money Market                   | 25          | 25                               | -          | -         | -            |
|                                | 6,096,906   | 2,801,350                        | 3,295,556  | -         | -            |
| <b>Other Projects:</b>         |             |                                  |            |           |              |
| U.S. Agencies                  | 71,757,079  | 63,314,633                       | 8,442,446  | -         | -            |
| Commercial Paper               | 5,385,820   | 5,385,820                        | -          | -         | -            |
| STAROhio                       | 20,011,953  | 20,011,953                       | -          | -         | -            |
| Money Market                   | 4,082,382   | 4,082,382                        | -          | -         | -            |
|                                | 101,237,234 | 92,794,788                       | 8,442,446  | -         | -            |
| <b>Rural Utility Services:</b> |             |                                  |            |           |              |
| STAROhio                       | 8,106,944   | 8,106,944                        | -          | -         | -            |
| Money Market                   | 7,424,252   | 7,424,252                        | -          | -         | -            |
|                                | 15,531,196  | 15,531,196                       | -          | -         | -            |
| <b>Community Assistance:</b>   |             |                                  |            |           |              |
| U.S. Agencies                  | 660,667     | 660,667                          | -          | -         | -            |
| Investment Contract            | 41,646,328  | -                                | 37,702,826 | -         | 3,943,502    |
| STAROhio                       | 5,779,443   | 5,779,443                        | -          | -         | -            |
| Money Market                   | 8,501,630   | 8,501,630                        | -          | -         | -            |
|                                | 56,588,068  | 14,941,740                       | 37,702,826 | -         | 3,943,502    |
| <b>Fresh Water:</b>            |             |                                  |            |           |              |
| Repurchase Agreements          | 14,221,923  | 14,221,923                       | -          | -         | -            |
| U.S. Treasuries                | 4,440,627   | 142,873                          | 661,854    | 1,073,882 | 2,562,018    |
| U.S. Agencies                  | 30,680,534  | 11,717,733                       | 18,962,801 | -         | -            |
| Investment Contract            | 83,283,778  | -                                | 77,806,223 | -         | 5,477,555    |
| STAROhio                       | 49,165,961  | 49,165,961                       | -          | -         | -            |
| Money Market                   | 14,729,310  | 14,729,310                       | -          | -         | -            |
|                                | 196,522,133 | 89,977,800                       | 97,430,878 | 1,073,882 | 8,039,573    |
| <b>Refunding:</b>              |             |                                  |            |           |              |
| Money Market                   | 947,463     | 947,463                          | -          | -         | -            |
| <b>Safe Water Refunding:</b>   |             |                                  |            |           |              |
| U.S. Agencies                  | 13,108,867  | 2,342,365                        | 10,766,502 | -         | -            |
| Money Market                   | 6,637,484   | 6,637,484                        | -          | -         | -            |
|                                | 19,746,351  | 8,979,849                        | 10,766,502 | -         | -            |
| <b>Pure Water Refunding:</b>   |             |                                  |            |           |              |
| Repurchase Agreements          | 3,155,649   | 3,155,649                        | -          | -         | -            |
| U.S. Treasuries                | 9,654,557   | 1,294,148                        | 5,509,884  | 2,850,525 | -            |
| U.S. Treasury Strips           | 1,465,626   | 204,530                          | 726,671    | 534,425   | -            |
| U.S. Agencies                  | 21,052,710  | -                                | 21,052,710 | -         | -            |
| STAROhio                       | 10,898,513  | 10,898,513                       | -          | -         | -            |
| Money Market                   | 27,290,033  | 27,290,033                       | -          | -         | -            |
|                                | 73,517,088  | 42,842,873                       | 27,289,265 | 3,384,950 | -            |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

| Fund – Investment Type               | Fair Value    | Investment Maturities (in years) – Continued |             |           |              |
|--------------------------------------|---------------|--|-------------|-----------|--------------|
|                                      |               | Less than 1                                  | 1 - 5       | 6 – 10    | More than 10 |
| <b>Water Pollution Control Loan:</b> |               |  |             |           |              |
| Repurchase Agreements                | \$143,589,105 | 143,589,105                                  | -           | -         | -            |
| U.S. Treasuries                      | 8,784,912     | 8,570,530                                    | 214,382     | -         | -            |
| U.S. Treasury Strips                 | 2,220,522     | 104,036                                      | 482,207     | 824,718   | 809,561      |
| U.S. Agencies                        | 126,388,155   | 95,393,807                                   | 30,994,348  | -         | -            |
| Investment Contract                  | 735,005,726   | -  | 692,352,961 | -         | 42,652,765   |
| STAROhio                             | 114,501,553   | 114,501,553                                  | -           | -         | -            |
| Money Market                         | 28,655,073    | 28,655,073                                   | -           | -         | -            |
|                                      | 1,159,145,046 | 390,814,104                                  | 724,043,898 | 824,718   | 43,462,326   |
| <b>Drinking Water Assistance:</b>    |               |  |             |           |              |
| U.S. Agencies                        | 4,432,514     | -  | 1,789,552   | 2,642,962 | -            |
| Investment Contract                  | 55,094,795    | -  | 50,064,819  | -         | 5,029,976    |
| STAROhio                             | 66,530,610    | 66,530,610                                   | -           | -         | -            |
| Money Market                         | 21,226,329    | 21,226,329                                   | -           | -         | -            |
|                                      | 147,284,248   | 87,756,939                                   | 51,854,371  | 2,642,962 | 5,029,976    |

The Authority's repurchase agreements, U.S. Treasuries and U.S. Agencies are uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. As of December 31, 2005, the Authority's investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investments in repurchase agreements and investment contracts were unrated. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAM by Standard & Poor's. The Authority's money market investments were rated AAAM by Standard & Poor's.

As of December 31, 2005, 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<br>Investments |
|----------------------|--|----------------------------------|
| Operating            | Federal Home Loan Bank                 | 59%                              |
|                      | Federal National Mortgage Association  | 36%                              |
| Other Projects       | Federal Home Loan Mortgage Corporation | 35%                              |
|                      | Federal National Mortgage Association  | 20%                              |
|                      | Federal Home Loan Bank                 | 13%                              |
| Community Assistance | Citigroup – Investment Contract        | 59%                              |
|                      | MBIA – Investment Contract             | 8%                               |
|                      | AIGMFC – Investment Contract           | 7%                               |
| Fresh Water          | Transamerica – Investment Contract     | 37%                              |
|                      | Federal Home Loan Bank                 | 12%                              |
|                      | Bear Stearns – Repurchase Agreements   | 7%                               |
| Safe Water Refunding | Federal Home Loan Bank                 | 55%                              |
|                      | Federal National Mortgage Association  | 12%                              |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

| Fund – Continued             | Issuer                                   | Percent of Fund's<br>Investments |
|------------------------------|--|----------------------------------|
| Pure Water Refunding         | Federal Home Loan Bank                   | 29%                              |
|                              | U.S. Treasury Notes                      | 13%                              |
| Water Pollution Control Loan | AIGMFC – Investment Contract             | 33%                              |
|                              | Citigroup – Investment Contract          | 25%                              |
|                              | Federal Home Loan Mortgage Corporation   | 8%                               |
|                              | Goldman Sachs – Repurchase Agreements    | 7%                               |
| Drinking Water Assistance    | Trinity Plus Funding Investment Contract | 34%                              |

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

### (3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which are caused by the timing of pending loan repayment allocations, consisted of the following at December 31, 2005:

| Fund                         | Due to    |                         |                                    |                                 | Total    |
|------------------------------|-----------|-------------------------|------------------------------------|---------------------------------|----------|
|                              | Operating | Pure Water<br>Refunding | Water<br>Pollution<br>Control Loan | Drinking<br>Water<br>Assistance |          |
| Fresh Water                  | –         | 9,427                   | –                                  | –                               | 9,427    |
| Water Pollution Control Loan | –         | –                       | 524                                | –                               | 524      |
| Drinking Water Assistance    | 20,673    | –                       | –                                  | 56,778                          | 77,451   |
| Total                        | \$ 20,673 | 9,427                   | 524                                | 56,778                          | \$87,402 |

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

As of December 31, 2005, there was \$14,805,000 of Water Development Revenue Notes—Rural Development Loan Advance Series 2004-A outstanding, which will mature on October 1, 2007. These notes have an adjustable rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2005 was 3.57%.

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest | Principal  |
|----------------------------|----------|------------|
| 2006 \$                    | 223,691  | 9,827,000  |
| 2007                       | 133,408  | 4,978,000  |
| Total \$                   | 357,099  | 14,805,000 |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.
- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2005, there is no accrued rebate liability for these notes.

**(5) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 1997**

As of December 31, 2005, there was \$ 4,270,000 of Water Development Revenue Bonds—Community Assistance Series 1997 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u> | <u>Maturity</u>          | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|----------------------|--------------------------|----------------|------------------|--------------|
| Serial      | 6.00%                | 2006–2007                | \$ 2,070,000   | 2,200,000        | 4,270,000    |
|             |                      |                          | 2,070,000      | 2,200,000        | 4,270,000    |
|             |                      | Add: unamortized premium | –              | 60,024           | 60,024       |
|             |                      |                          | \$ 2,070,000   | 2,260,024        | 4,330,024    |

Not included in the above amounts is \$36,695,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

|  | <u>Year Ending<br/>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--|------------------------------------|-----------------|------------------|
|  | 2006                               | \$ 225,600      | 2,070,000        |
|  | 2007                               | 99,450          | 2,200,000        |
|  | Total                              | \$ 325,050      | 4,270,000        |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

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

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

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

### (6) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 2003

As of December 31, 2005, there was \$ 52,140,000 of Water Development Revenue Bonds—Community Assistance Series 2003 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 2.0% to 5.0%             | 2006–2017       | \$ 1,470,000   | 15,235,000       | 16,705,000   |
| Term        | 4.625% to 5.000%         | 2014–2030       | –              | 35,435,000       | 35,435,000   |
|             |                          |                 | 1,470,000      | 50,670,000       | 52,140,000   |
|             | Add: unamortized premium |                 | –              | 1,393,191        | 1,393,191    |
|             |                          |                 | \$ 1,470,000   | 52,063,191       | 53,533,191   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest             | Principal         |
|----------------------------|----------------------|-------------------|
| 2006                       | \$ 2,270,063         | 1,470,000         |
| 2007                       | 2,238,713            | 1,680,000         |
| 2008                       | 2,202,838            | 1,715,000         |
| 2009                       | 2,157,538            | 1,755,000         |
| 2010                       | 2,103,313            | 1,815,000         |
| 2011–2015                  | 9,461,706            | 10,170,000        |
| 2016–2020                  | 6,832,150            | 12,345,000        |
| 2021–2025                  | 3,770,878            | 11,805,000        |
| 2026–2030                  | 1,250,231            | 9,385,000         |
| Total                      | \$ <u>32,287,430</u> | <u>52,140,000</u> |

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

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

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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.

**(7) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE REFUNDING SERIES 2005**

As of December 31, 2005, there was \$37,110,000 of Water Development Revenue Refunding Bonds—Community Assistance Series 2005 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 3.00% to 5.25%           | 2006–2017       | \$ 175,000     | 25,570,000       | 25,745,000   |
| Term        | 4.100% to 4.625%         | 2018–2024       | –              | 11,365,000       | 11,365,000   |
|             |                          |                 | 175,000        | 36,935,000       | 37,110,000   |
|             | Add: unamortized premium |                 | –              | 1,936,556        | 1,936,556    |
|             | Less: deferred loss      |                 | –              | (2,728,690)      | (2,728,690)  |
|             |                          |                 | \$ 175,000     | 36,142,866       | 36,317,866   |

The Community Assistance Series 2005 Bonds were issued to advance refund \$36,695,000 of the Community Assistance Series 1997 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$2,800,498, the Authority in effect reduced its aggregate debt service payments by \$2,641,823 and achieved an economic gain of \$1,877,636.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u> | <u>December 31</u> | <u>Interest</u>   | <u>Principal</u>  |
|--------------------|--------------------|-------------------|-------------------|
| 2006               | \$                 | 1,622,016         | 175,000           |
| 2007               |                    | 1,616,766         | 180,000           |
| 2008               |                    | 1,594,041         | 2,500,000         |
| 2009               |                    | 1,518,366         | 2,580,000         |
| 2010               |                    | 1,437,129         | 2,655,000         |
| 2011–2015          |                    | 5,471,038         | 12,875,000        |
| 2016–2020          |                    | 2,442,037         | 10,365,000        |
| 2021–2024          |                    | 509,756           | 5,780,000         |
| Total              | \$                 | <u>16,211,149</u> | <u>37,110,000</u> |

The term bonds are subject to mandatory redemption beginning December 1, 2018. Both the term and serial bonds maturing on or after December 1, 2018 callable for redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2015, or on any interest payment thereafter at par plus accrued interest.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2005, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

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

On 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.

### (8) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER SERIES 1998

As of December 31, 2005, there was \$55,550,000 of Water Development Revenue Bonds—Fresh Water Series 1998 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 4.50% to 5.25%           | 2006–2011       | \$ 9,115,000   | 46,435,000       | 55,550,000   |
|             | Add: unamortized premium |                 | –              | 705,885          | 705,885      |
|             |                          |                 | \$ 9,115,000   | 47,140,885       | 56,255,885   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

Not included in the above amounts is \$58,930,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest            | Principal         |
|----------------------------|---------------------|-------------------|
| 2006                       | \$ 2,763,731        | 9,115,000         |
| 2007                       | 2,313,938           | 9,560,000         |
| 2008                       | 1,805,606           | 10,015,000        |
| 2009                       | 1,274,306           | 10,395,000        |
| 2010                       | 723,844             | 10,850,000        |
| 2011                       | 147,394             | 5,615,000         |
| Total                      | \$ <u>9,028,819</u> | <u>55,550,000</u> |

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

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

The bond resolution provides for six separate accounts designated as the 1998 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

As of December 31, 2005, there was \$ 61,220,000 of Water Development Revenue Bonds—Fresh Water Refunding and Improvement Series 2001 A & B outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>        | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|-----------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 4.0% to 5.50%               | 2006–2021       | \$ 695,000     | 56,080,000       | 56,775,000   |
| Term        | 5.0% to 5.375%              | 2012–2017       | –              | 4,445,000        | 4,445,000    |
|             |                             |                 | 695,000        | 60,525,000       | 61,220,000   |
|             | Add: unamortized<br>premium |                 | –              | 4,089,549        | 4,089,549    |
|             | Less: deferred loss         |                 | –              | (4,109,822)      | (4,109,822)  |
|             |                             |                 | \$ 695,000     | 60,504,727       | 61,199,727   |

Not included in the above amount is \$43,230,000 of bonds remaining outstanding, which the Authority defeased in 1998 and 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| Year Ending | Interest      | Principal  |
|-------------|---------------|------------|
| December 31 |               |            |
| 2006        | \$ 3,276,925  | 695,000    |
| 2007        | 3,248,925     | 720,000    |
| 2008        | 3,219,825     | 750,000    |
| 2009        | 3,189,525     | 780,000    |
| 2010        | 3,158,025     | 810,000    |
| 2011–2015   | 12,748,319    | 29,895,000 |
| 2016–2020   | 4,241,750     | 25,765,000 |
| 2021        | 61,438        | 1,805,000  |
| Total       | \$ 33,144,732 | 61,220,000 |

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

The bond resolution provides for six separate accounts designated as the 2001 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

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

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

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

### **(10) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2002**

As of December 31, 2005, there was \$ 60,390,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2002 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> |    | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----|----------------|------------------|--------------|
| Serial      | 2.50% to 5.25%           | 2006–2012       | \$ | 3,500,000      | 22,900,000       | 26,400,000   |
| Term        | 4.750% to 5.375%         | 2013–2027       |    | –              | 33,990,000       | 33,990,000   |
|             |                          |                 |    | 3,500,000      | 56,890,000       | 60,390,000   |
|             | Add: unamortized premium |                 |    | –              | 1,101,281        | 1,101,281    |
|             |                          |                 | \$ | 3,500,000      | 57,991,281       | 61,491,281   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

Not included in the above amounts is \$38,460,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest      | Principal  |
|----------------------------|---------------|------------|
| 2006                       | \$ 2,772,544  | 3,500,000  |
| 2007                       | 2,640,044     | 3,600,000  |
| 2008                       | 2,498,894     | 3,710,000  |
| 2009                       | 2,344,781     | 3,845,000  |
| 2010                       | 2,177,344     | 4,000,000  |
| 2011–2015                  | 8,093,541     | 20,585,000 |
| 2016–2020                  | 4,539,741     | 2,295,000  |
| 2021–2025                  | 3,585,063     | 13,495,000 |
| 2026–2027                  | 248,663       | 5,360,000  |
| Total                      | \$ 28,900,615 | 60,390,000 |

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

On September 1, 2004, the Authority entered into a fifteen-year interest rate swap agreement for \$100,000,000 of its Fresh Water Series Bonds. As a result of the agreement, the Authority receives interest payments from the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 1.26% for years one through three of the agreement. Starting in year four of the fifteen-year agreement, the Authority makes interest payments to BSFP at the BMA Municipal Swap Index and receives interest payments from BSFP at 3.77%. The Authority received a \$1,324,000 swap cancellation option premium from BSFP when the swap was executed which allows BSFP a one-time option to cancel the swap at year three. The purpose of the swap was to allow the Authority to reduce its borrowing cost by synthetically converting a portion of its Fresh Water debt to variable rates. As of December 31, 2005, the swap had a negative fair value of \$1,646,794, which was calculated using the par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2005, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard and Poor's as of December 31, 2005.
- b) Basis risk: As of December 31, 2005, the Authority was not exposed to basis risk.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

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

The bond resolution provides for six separate accounts designated as the 2002 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

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

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

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.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

**(11) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2004**

As of December 31, 2005, there was \$146,870,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2004 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 2.00% to 5.00%           | 2006–2014       | \$ 4,055,000   | 40,955,000       | 45,010,000   |
| Term        | 5.00% to 5.25%           | 2015–2034       | –              | 101,860,000      | 101,860,000  |
|             |                          |                 | 4,055,000      | 142,815,000      | 146,870,000  |
|             | Add: unamortized premium |                 | –              | 1,931,996        | 1,931,996    |
|             |                          |                 | \$ 4,055,000   | 144,746,996      | 148,801,996  |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u> | <u>Interest</u> | <u>Principal</u> |
|--------------------|-----------------|------------------|
| December 31        |                 |                  |
| 2006               | \$ 7,042,070    | 4,055,000        |
| 2007               | 6,934,908       | 4,365,000        |
| 2008               | 6,794,070       | 4,705,000        |
| 2009               | 6,610,133       | 4,860,000        |
| 2010               | 6,395,320       | 5,070,000        |
| 2011–2015          | 28,195,430      | 27,810,000       |
| 2016–2020          | 20,717,313      | 31,215,000       |
| 2021–2025          | 12,469,875      | 31,500,000       |
| 2026–2030          | 5,985,625       | 21,020,000       |
| 2031–2034          | 1,285,000       | 12,270,000       |
| Total              | \$ 102,429,744  | 146,870,000      |

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

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

The bond resolution provides for six separate accounts designated as the 2004 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, 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:

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

**(12) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER REFUNDING SERIES 2005**

As of December 31, 2005, there was \$103,310,000 of Water Development Revenue Bonds—Fresh Water Refunding Series 2005 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u> | <u>Maturity</u>          | <u>Long-Term</u>      |
|-------------|----------------------|--------------------------|-----------------------|
| Serial      | 5.00% to 5.50%       | 2011–2025                | \$ 103,310,000        |
|             |                      | Add: unamortized premium | 13,725,273            |
|             |                      | Less: deferred loss      | <u>(5,543,481)</u>    |
|             |                      |                          | <u>\$ 111,491,792</u> |

The Fresh Water Series 2005 Bonds were issued to advance refund \$58,930,000 of the Fresh Water Series 1998 Bonds, \$13,160,000 of the Fresh Water Series 2001A Bonds, and 38,460,000 of the Fresh Water Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$5,820,655, the Authority in effect reduced its aggregate debt service payments by \$9,429,947 and achieved an economic gain of \$5,648,859.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest             | Principal          |
|----------------------------|----------------------|--------------------|
| 2006                       | \$ 5,566,913         | –                  |
| 2007                       | 5,566,913            | –                  |
| 2008                       | 5,566,913            | –                  |
| 2009                       | 5,566,913            | –                  |
| 2010                       | 5,566,913            | –                  |
| 2011–2015                  | 24,811,138           | 26,870,000         |
| 2016–2020                  | 15,066,288           | 50,715,000         |
| 2021–2025                  | 2,292,538            | 25,725,000         |
| Total                      | \$ <u>70,004,529</u> | <u>103,310,000</u> |

The 2005 Fresh Water Refunding Bonds are not subject to optional or mandatory redemption prior to their stated maturity.

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

The bond resolution provides for six separate accounts designated as the 2005 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 2005, (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.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

**(13) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1997 SAFE WATER SERIES**

As of December 31, 2005, there was \$31,930,000 of Water Development Revenue Refunding Bonds—1997 Safe Water Series outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>       | <u>Long-Term</u>  | <u>Total</u>      |
|-------------|--------------------------|-----------------|----------------------|-------------------|-------------------|
| Serial      | 5.25% to 6.00%           | 2006-2007       | \$ 17,335,000        | 14,595,000        | 31,930,000        |
|             | Add: unamortized premium |                 | —                    | 364,497           | 364,497           |
|             | Less: deferred loss      |                 | —                    | (1,161,738)       | (1,161,738)       |
|             |                          |                 | <u>\$ 17,335,000</u> | <u>13,797,759</u> | <u>31,132,759</u> |

Not included in the above amounts is \$41,820,000 of 1985 Safe Water Series bonds remaining outstanding, which the Authority defeased in 1987. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>     | <u>Principal</u>  |
|--|---------------------|-------------------|
| 2006                                     | \$ 1,626,056        | 17,335,000        |
| 2007                                     | 659,250             | 14,595,000        |
| Total                                    | <u>\$ 2,285,306</u> | <u>31,930,000</u> |

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

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

The bond resolution provides for five separate accounts designated as 1997 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

As of December 31, 2005, there was \$25,155,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>       | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|----------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 5.75%                      | 2006            | \$ 5,585,000   | –                | 5,585,000    |
| Term        | 5.50% to 6.00%             | 2006–2013       | 10,000,000     | 9,570,000        | 19,570,000   |
|             |                            |                 | 15,585,000     | 9,570,000        | 25,155,000   |
|             | Less: unamortized discount |                 | –              | (995,656)        | (995,656)    |
|             |                            |                 | \$ 15,585,000  | 8,574,344        | 24,159,344   |

Not included in the above amounts is \$50,465,000 of 1989 and 1990 Pure Water Series bonds remaining outstanding, which the Authority defeased in 1992. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u> | <u>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--------------------|--------------------|-----------------|------------------|
| 2006               | \$                 | 829,513         | 15,585,000       |
| 2007               |                    | 456,725         | 2,785,000        |
| 2008               |                    | 373,175         | –                |
| 2009               |                    | 373,175         | –                |
| 2010               |                    | 373,175         | –                |
| 2011–2013          |                    | 707,025         | 6,785,000        |
| Total              | \$                 | 3,112,788       | 25,155,000       |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The 2006 Principal maturities in the above table includes a \$10,000,000 par call that was made in January of 2006

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

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

The bond resolution provides for seven separate accounts designated as Pure Water Refunding Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Other Projects account and Rebate account. As of October 14, 2005, there is no accrued rebate liability for these bonds.

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

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

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

As of December 31, 2005, there was \$40,830,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding Series 2002A outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>       | <u>Long-Term</u>  | <u>Total</u>      |
|-------------|--------------------------|-----------------|----------------------|-------------------|-------------------|
| Serial      | 3.00% to 5.00%           | 2006–2008       | \$ 13,890,000        | 26,940,000        | 40,830,000        |
|             | Add: unamortized premium |                 | –                    | 762,886           | 762,886           |
|             | Less: deferred loss      |                 | –                    | (2,251,896)       | (2,251,896)       |
|             |                          |                 | <u>\$ 13,890,000</u> | <u>25,450,990</u> | <u>39,340,990</u> |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>     | <u>Principal</u>  |
|--|---------------------|-------------------|
| 2006                                     | \$ 1,469,825        | 13,890,000        |
| 2007                                     | 937,675             | 23,505,000        |
| 2008                                     | 85,875              | 3,435,000         |
| Total                                    | <u>\$ 2,493,375</u> | <u>40,830,000</u> |

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

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

The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002A Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

As of December 31, 2005, there was \$108,000,000 of Water Development Revenue Refunding Variable Rate Bonds—Pure Water Refunding Series 2002B outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u> | <u>Maturity</u>     | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------|------------------|--------------|
| Serial      | Variable             | 2006–2018           | \$ 7,900,000   | 100,100,000      | 108,000,000  |
|             |                      | Less: deferred loss | –              | (6,193,187)      | (6,193,187)  |
|             |                      |                     | \$ 7,900,000   | 93,906,813       | 101,806,813  |

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, 2005 was 3.54%.

On December 1, 2002, the Authority entered into a sixteen-year interest rate swap agreement for \$108,000,000 of its Pure Water Refunding Series 2002B Bonds (Series 2002B Bonds). As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the Pure Water Refunding Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a \$3,010,263 swap exercise fee from 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, 2005, the swap had a negative fair value of \$4,824,882, which was calculated using the Par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2005, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap’s value. BSFP was rated Aaa by Moody’s and AAA by Standard and Poor’s as of December 31, 2005.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- b) Basis risk: As of December 31, 2005, the Authority was not exposed to basis risk as the interest rate on the swap was equal to the rate on the Series 2002B Bonds. Should the rate on the Series 2002B Bonds be changed to anything other than weekly rate period, the expected savings of the swap transaction may not be realized.
- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. Should the swap be terminated, the Authority would either require BSFP to assign its obligations under the swap to a substitute counterparty or be exposed to variable rate interest on the Series 2002B Bonds. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

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

| Year Ending<br>December 31 | Interest             | Principal          |
|----------------------------|----------------------|--------------------|
| 2006                       | \$ 4,914,000         | 7,900,000          |
| 2007                       | 4,550,000            | 500,000            |
| 2008                       | 4,527,250            | 500,000            |
| 2009                       | 4,288,375            | 18,700,000         |
| 2010                       | 3,455,725            | 17,400,000         |
| 2011–2015                  | 6,897,800            | 55,100,000         |
| 2016–2018                  | 495,950              | 7,900,000          |
| Total                      | \$ <u>29,129,100</u> | <u>108,000,000</u> |

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

The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002B Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

As of December 31, 2005, there was \$ 5,280,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>       | <u>Maturity</u> | <u>Current</u>      |
|-------------|----------------------------|-----------------|---------------------|
| Serial      | 5.20%                      | 2006            | \$ 5,280,000        |
|             | Less: unamortized discount |                 | <u>(3,817)</u>      |
|             |                            |                 | <u>\$ 5,276,183</u> |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--|-----------------|------------------|
| 2006                                     | \$ 204,880      | 5,280,000        |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, a rebate payable of \$23,807 has been accrued for these bonds.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

As of December 31, 2005, there was \$30,775,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 2000 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 5.00% to 5.50%           | 2006–2012       | \$ 6,275,000   | 24,500,000       | 30,775,000   |
|             | Add: unamortized premium |                 | –              | 232,559          | 232,559      |
|             |                          |                 | \$ 6,275,000   | 24,732,559       | 31,007,559   |

Not included in the above amounts is \$14,075,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 |    | Interest         | Principal         |
|----------------------------|----|------------------|-------------------|
| 2006                       | \$ | 1,570,925        | 6,275,000         |
| 2007                       |    | 1,235,150        | 5,570,000         |
| 2008                       |    | 939,800          | 5,310,000         |
| 2009                       |    | 644,588          | 4,930,000         |
| 2010                       |    | 388,150          | 3,815,000         |
| 2011–2012                  |    | 299,250          | 4,875,000         |
| Total                      | \$ | <u>5,077,863</u> | <u>30,775,000</u> |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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.

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

As of December 31, 2005, there was \$44,210,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2001 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>      | <u>Long-Term</u>  | <u>Total</u>      |
|-------------|--------------------------|-----------------|---------------------|-------------------|-------------------|
| Serial      | 4.00% to 5.25%           | 2006–2016       | \$ 4,545,000        | 39,665,000        | 44,210,000        |
|             | Add: unamortized premium |                 | –                   | 1,272,296         | 1,272,296         |
|             | Less: deferred loss      |                 | –                   | (3,160,197)       | (3,160,197)       |
|             |                          |                 | <u>\$ 4,545,000</u> | <u>37,777,099</u> | <u>42,322,099</u> |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>     | <u>Principal</u>  |
|--|---------------------|-------------------|
| 2006                                     | \$ 2,068,095        | 4,545,000         |
| 2007                                     | 1,846,220           | 4,120,000         |
| 2008                                     | 1,588,720           | 8,225,000         |
| 2009                                     | 1,207,945           | 7,245,000         |
| 2010                                     | 864,120             | 6,175,000         |
| 2011–2015                                | 1,217,905           | 13,830,000        |
| 2016                                     | 2,363               | 70,000            |
| Total                                    | <u>\$ 8,795,368</u> | <u>44,210,000</u> |

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

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

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, 2005, 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:

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

**(20) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—STATE MATCH SERIES 2005**

As of December 31, 2005, there was \$18,645,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2005 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 3.00% to 5.00%           | 2006–2015       | \$ 50,000      | 12,390,000       | 12,440,000   |
| Term        | 5.25%                    | 2016-2021       | –              | 6,205,000        | 6,205,000    |
|             |                          |                 | 50,000         | 18,595,000       | 18,645,000   |
|             | Add: unamortized premium |                 | –              | 1,545,987        | 1,545,987    |
|             | Less: deferred loss      |                 | –              | (1,442,101)      | (1,442,101)  |
|             |                          |                 | \$ 50,000      | 18,698,886       | 18,748,886   |

The State Match Series 2005 Bonds were issued to advance refund \$4,955,000 of the State Match Series 1995 Bonds and \$14,075,000 of the State Match Series 2000 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$1,487,167, the Authority in effect reduced its aggregate debt service payments by \$1,287,746 and achieved an economic gain of \$958,015.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest     | Principal  |
|----------------------------|--------------|------------|
| 2006                       | \$ 878,325   | 50,000     |
| 2007                       | 813,575      | 5,000,000  |
| 2008                       | 670,163      | –          |
| 2009                       | 670,163      | –          |
| 2010                       | 670,163      | –          |
| 2011–2015                  | 2,924,663    | 7,390,000  |
| 2016-2020                  | 806,269      | 5,935,000  |
| 2021                       | 8,663        | 270,000    |
| Total                      | \$ 7,441,984 | 18,645,000 |

The term bonds are subject to mandatory redemption beginning December 1, 2016. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- 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.

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

As of December 31, 2005, there was \$ 44,565,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 5.00% to 5.25%           | 2006-2010       | \$ 7,850,000   | 36,715,000       | 44,565,000   |
|             | Add: unamortized premium |                 | —              | 271,428          | 271,428      |
|             |                          |                 | \$ 7,850,000   | 36,986,428       | 44,836,428   |

Not included in the above amounts is \$131,665,000 of bonds remaining outstanding, which the Authority defeased in 2004 and 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--|-----------------|------------------|
| 2006                                     | \$ 2,195,525    | 7,850,000        |
| 2007                                     | 1,770,013       | 8,930,000        |
| 2008                                     | 1,285,700       | 10,135,000       |
| 2009                                     | 743,750         | 11,430,000       |
| 2010                                     | 155,500         | 6,220,000        |
| Total                                    | \$ 6,150,488    | 44,565,000       |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

As of December 31, 2005, there was \$29,955,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2002 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 3.00% to 5.25%           | 2006–2014       | \$ 995,000     | 28,960,000       | 29,955,000   |
|             | Add: unamortized premium |                 | –              | 1,232,693        | 1,232,693    |
|             |                          |                 | \$ 995,000     | 30,192,693       | 31,187,693   |

Not included in the above amounts is \$162,450,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 |    | Interest         | Principal         |
|----------------------------|----|------------------|-------------------|
| 2006                       | \$ | 1,437,713        | 995,000           |
| 2007                       |    | 1,403,263        | 1,330,000         |
| 2008                       |    | 1,354,350        | 1,645,000         |
| 2009                       |    | 1,291,438        | 1,985,000         |
| 2010                       |    | 1,208,038        | 2,325,000         |
| 2011–2014                  |    | 2,988,825        | 21,675,000        |
| Total                      | \$ | <u>9,683,627</u> | <u>29,955,000</u> |

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.

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

As of December 31, 2005, there was \$155,735,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2003 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>       | <u>Long-Term</u>   | <u>Total</u>       |
|-------------|--------------------------|-----------------|----------------------|--------------------|--------------------|
| Serial      | 3.00% to 5.25%           | 2006–2015       | \$ 11,660,000        | 144,075,000        | 155,735,000        |
|             | Add: unamortized premium |                 | –                    | 13,083,697         | 13,083,697         |
|             | Less: deferred loss      |                 | –                    | (13,352,455)       | (13,352,455)       |
|             |                          |                 | <u>\$ 11,660,000</u> | <u>143,806,242</u> | <u>155,466,242</u> |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>      | <u>Principal</u>   |
|--|----------------------|--------------------|
| 2006                                     | \$ 7,435,888         | 11,660,000         |
| 2007                                     | 6,894,863            | 12,955,000         |
| 2008                                     | 6,358,738            | 14,390,000         |
| 2009                                     | 5,618,238            | 16,065,000         |
| 2010                                     | 4,792,488            | 17,870,000         |
| 2011–2015                                | 11,071,313           | 82,795,000         |
| Total                                    | <u>\$ 42,171,528</u> | <u>155,735,000</u> |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

As of December 31, 2005, there was \$ 501,525,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>       | <u>Long-Term</u>   | <u>Total</u>       |
|-------------|--------------------------|-----------------|----------------------|--------------------|--------------------|
| Serial      | 2.50% to 6.00%           | 2006–2025       | \$ 12,955,000        | 488,570,000        | 501,525,000        |
|             | Add: unamortized premium |                 | –                    | 34,734,447         | 34,734,447         |
|             |                          |                 | <u>\$ 12,955,000</u> | <u>523,304,447</u> | <u>536,259,447</u> |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>       | <u>Principal</u>   |
|--|-----------------------|--------------------|
| 2006                                     | \$ 24,004,270         | 12,955,000         |
| 2007                                     | 23,444,745            | 15,060,000         |
| 2008                                     | 22,924,308            | 21,375,000         |
| 2009                                     | 22,242,995            | 19,605,000         |
| 2010                                     | 21,248,120            | 24,795,000         |
| 2011–2015                                | 85,659,295            | 148,255,000        |
| 2016–2020                                | 47,878,750            | 149,650,000        |
| 2021–2025                                | 12,788,750            | 109,830,000        |
| Total                                    | <u>\$ 260,191,233</u> | <u>501,525,000</u> |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

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

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

As of December 31, 2005, there was \$ 63,655,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Long-Term</u>     |
|-------------|--------------------------|-----------------|----------------------|
| Serial      | 5.0%                     | 2010–2014       | \$ 63,655,000        |
|             | Add: unamortized premium |                 | 6,850,126            |
|             | Less: deferred loss      |                 | <u>(4,539,032)</u>   |
|             |                          |                 | <u>\$ 65,966,094</u> |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest      | Principal  |
|----------------------------|---------------|------------|
| 2006                       | \$ 3,182,750  | –          |
| 2007                       | 3,182,750     | –          |
| 2008                       | 3,182,750     | –          |
| 2009                       | 3,182,750     | –          |
| 2010                       | 3,182,750     | 6,465,000  |
| 2011–2014                  | 6,552,250     | 57,190,000 |
| Total                      | \$ 22,466,000 | 63,655,000 |

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

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

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

**(26) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2005**

As of December 31, 2005, there was \$215,445,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Long-Term</u>    |
|-------------|--------------------------|-----------------|---------------------|
| Serial      | 5.0%                     | 2015–2023       | \$ 215,445,000      |
|             | Add: unamortized premium |                 | 28,591,175          |
|             | Less: deferred loss      |                 | <u>(14,620,193)</u> |
|             |                          |                 | \$ 229,415,982      |

The Water Quality Series 2005 Bonds were issued to advance refund \$66,365,000 of the Water Quality Series 1997 Bonds and \$162,450,000 of the Water Quality Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$15,432,426, the Authority in effect reduced its aggregate debt service payments by \$18,266,283 and achieved an economic gain of \$11,471,559.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--|-----------------|------------------|
| 2006                                     | \$ 11,405,588   | –                |
| 2007                                     | 11,405,588      | –                |
| 2008                                     | 11,405,588      | –                |
| 2009                                     | 11,405,588      | –                |
| 2010                                     | 11,405,588      | –                |
| 2011-2015                                | 56,707,163      | 24,445,000       |
| 2016-2020                                | 31,295,588      | 153,110,000      |
| 2021-2023                                | 2,735,975       | 37,890,000       |
| Total                                    | \$ 147,766,666  | 215,445,000      |

The 2005 Water Quality Refunding Series Bonds are not subject to redemption prior to stated maturity.

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

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- 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.

**(27) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2005B**

As of December 31, 2005, there was \$ 450,901,657 of Water Pollution Control Loan Fund Revenue Bonds— Water Quality Series 2005B outstanding, as follows:

| <u>Type</u>          | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Long-Term</u> |
|----------------------|--------------------------|-----------------|------------------|
| Serial               | 4.25% to 5.00%           | 2008–2025       | \$ 361,520,000   |
| Capital Appreciation | 4.06% to 4.45%           | 2012-2017       | 89,381,657       |
|                      |                          |                 | 450,901,657      |
|                      | Add: unamortized premium |                 | 18,721,061       |
|                      |                          |                 | \$ 469,622,718   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest              | Principal          |
|----------------------------|-----------------------|--------------------|
| 2006                       | \$ 17,555,550         | –                  |
| 2007                       | 17,555,550            | –                  |
| 2008                       | 17,444,650            | 9,205,000          |
| 2009                       | 16,919,100            | 19,160,000         |
| 2010                       | 16,001,350            | 18,525,000         |
| 2011-2015                  | 72,123,825            | 114,915,000        |
| 2016-2020                  | 63,883,488            | 139,225,000        |
| 2021–2025                  | 26,327,106            | 190,710,000        |
| Total                      | \$ <u>247,810,619</u> | <u>491,740,000</u> |

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.

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

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- 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.

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

As of December 31, 2005, there was \$22,735,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>       | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|----------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 3.25% to 5.00%             | 2006–2021       | \$ 2,230,000   | 20,390,000       | 22,620,000   |
| Term        | 5.00%                      | 2022–2023       | –              | 115,000          | 115,000      |
|             |                            |                 | 2,230,000      | 20,505,000       | 22,735,000   |
|             | Less: unamortized discount |                 | –              | (32,542)         | (32,542)     |
|             |                            |                 | \$ 2,230,000   | 20,472,458       | 22,702,458   |

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|--|-----------------|------------------|
| 2006                                     | \$ 944,375      | 2,230,000        |
| 2007                                     | 871,872         | 2,150,000        |
| 2008                                     | 791,494         | 2,075,000        |
| 2009                                     | 703,869         | 2,005,000        |
| 2010                                     | 624,569         | 1,915,000        |
| 2011–2015                                | 2,031,256       | 7,910,000        |
| 2016–2020                                | 553,250         | 4,105,000        |
| 2021–2023                                | 18,375          | 345,000          |
| Total                                    | \$ 6,539,060    | 22,735,000       |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

As of December 31, 2005, there was \$32,590,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2004 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> |    | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----|----------------|------------------|--------------|
| Serial      | 2.00% to 5.00%           | 2006–2013       | \$ | 2,095,000      | 16,680,000       | 18,775,000   |
| Term        | 4.25% to 5.00%           | 2014–2025       |    | –              | 13,815,000       | 13,815,000   |
|             |                          |                 |    | 2,095,000      | 30,495,000       | 32,590,000   |
|             | Add: unamortized premium |                 |    | –              | 1,931,767        | 1,931,767    |
|             |                          |                 | \$ | 2,095,000      | 32,426,767       | 34,521,767   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest      | Principal  |
|----------------------------|---------------|------------|
| 2006                       | \$ 1,404,400  | 2,095,000  |
| 2007                       | 1,350,200     | 2,615,000  |
| 2008                       | 1,269,638     | 2,520,000  |
| 2009                       | 1,144,263     | 2,470,000  |
| 2010                       | 1,033,938     | 2,395,000  |
| 2011–2015                  | 3,572,188     | 10,575,000 |
| 2016–2020                  | 1,400,325     | 7,300,000  |
| 2021–2025                  | 218,238       | 2,620,000  |
| Total                      | \$ 11,393,190 | 32,590,000 |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, 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.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

As of December 31, 2005, there was \$20,140,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----------------|------------------|--------------|
| Serial      | 3.250% to 5.375%         | 2006–2013       | \$ 1,250,000   | 15,470,000       | 16,720,000   |
| Term        | 5.00% to 5.50%           | 2014            | –              | 3,420,000        | 3,420,000    |
|             |                          |                 | 1,250,000      | 18,890,000       | 20,140,000   |
|             | Add: unamortized premium |                 | –              | 195,400          | 195,400      |
|             |                          |                 | \$ 1,250,000   | 19,085,400       | 20,335,400   |

Not included in the above amounts is \$37,500,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

| <u>Year Ending<br/>December 31</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|-----------------|------------------|
| 2006                               | \$ 865,888      | 1,250,000        |
| 2007                               | 821,794         | 1,450,000        |
| 2008                               | 767,431         | 1,660,000        |
| 2009                               | 698,531         | 1,915,000        |
| 2010                               | 619,331         | 2,180,000        |
| 2011–2014                          | 1,375,731       | 11,685,000       |
| Total                              | \$ 5,148,706    | 20,140,000       |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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.

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

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

As of December 31, 2005, there was \$66,145,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2004 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> |    | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|-------------|--------------------------|-----------------|----|----------------|------------------|--------------|
| Serial      | 2.00% to 5.00%           | 2006–2013       | \$ | 615,000        | 13,870,000       | 14,485,000   |
| Term        | 4.50% to 5.00%           | 2014–2025       |    | –              | 51,660,000       | 51,660,000   |
|             |                          |                 |    | 615,000        | 65,530,000       | 66,145,000   |
|             | Add: unamortized premium |                 |    | –              | 3,121,600        | 3,121,600    |
|             |                          |                 | \$ | 615,000        | 68,651,600       | 69,266,600   |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 |    | Interest          | Principal         |
|----------------------------|----|-------------------|-------------------|
| 2006                       | \$ | 2,928,550         | 615,000           |
| 2007                       |    | 2,908,988         | 1,360,000         |
| 2008                       |    | 2,876,200         | 1,565,000         |
| 2009                       |    | 2,834,819         | 1,760,000         |
| 2010                       |    | 2,783,775         | 1,975,000         |
| 2011–2015                  |    | 12,519,675        | 12,990,000        |
| 2016–2020                  |    | 8,783,613         | 20,190,000        |
| 2021–2025                  |    | 3,229,288         | 25,690,000        |
| Total                      | \$ | <u>38,864,908</u> | <u>66,145,000</u> |

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

**(32) DRINKING WATER ASSISTANCE FUND REFUNDING REVENUE BONDS—LEVERAGE SERIES 2005**

As of December 31, 2005, there was \$36,565,000 of Drinking Water Assistance Fund Refunding Revenue Bonds —Leverage Series 2005 outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Long-Term</u>     |
|-------------|--------------------------|-----------------|----------------------|
| Serial      | 5.00% to 5.25%           | 2015–2023       | \$ 18,705,000        |
| Term        | 5.25%                    | 2019-2022       | <u>17,860,000</u>    |
|             |                          |                 | 36,565,000           |
|             | Add: unamortized premium |                 | 4,867,262            |
|             | Less: deferred loss      |                 | <u>(2,780,941)</u>   |
|             |                          |                 | <u>\$ 38,651,321</u> |

The Drinking Water Assistance Fund Leverage Series 2005 Bonds were issued to advance refund \$37,500,000 of the Drinking Water Assistance Fund Leverage Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$2,860,397, the Authority in effect reduced its aggregate debt service payments by \$2,734,323 and achieved an economic gain of \$1,930,986.

The debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>December 31</u> | <u>Interest</u>      | <u>Principal</u>  |
|--|----------------------|-------------------|
| 2006                                     | \$ 1,910,175         | –                 |
| 2007                                     | 1,910,175            | –                 |
| 2008                                     | 1,910,175            | –                 |
| 2009                                     | 1,910,175            | –                 |
| 2010                                     | 1,910,175            | –                 |
| 2011–2015                                | 9,503,500            | 3,795,000         |
| 2016–2020                                | 5,785,894            | 25,505,000        |
| 2021–2023                                | 492,713              | <u>7,265,000</u>  |
| Total                                    | <u>\$ 25,332,982</u> | <u>36,565,000</u> |

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.

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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.

### (33) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2005B

As of December 31, 2005, there was \$61,135,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2005B outstanding, as follows:

| <u>Type</u> | <u>Interest Rate</u>     | <u>Maturity</u> | <u>Current</u>    | <u>Long-Term</u>  | <u>Total</u>      |
|-------------|--------------------------|-----------------|-------------------|-------------------|-------------------|
| Serial      | 3.25% to 5.00%           | 2006 to 2026    | \$ 385,000        | 24,385,000        | 24,770,000        |
| Term        | 4.50% to 5.00%           | 2016 to 2025    | –                 | 36,365,000        | 36,365,000        |
|             |                          |                 | 385,000           | 60,750,000        | 61,135,000        |
|             | Add: unamortized premium |                 | –                 | 2,029,089         | 2,029,089         |
|             |                          |                 | <u>\$ 385,000</u> | <u>62,779,089</u> | <u>63,164,089</u> |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

| Year Ending<br>December 31 | Interest      | Principal  |
|----------------------------|---------------|------------|
| 2006                       | \$ 3,054,129  | 385,000    |
| 2007                       | 2,771,713     | 940,000    |
| 2008                       | 2,732,200     | 1,775,000  |
| 2009                       | 2,667,031     | 1,985,000  |
| 2010                       | 2,589,186     | 2,210,000  |
| 2011–2015                  | 11,337,013    | 14,630,000 |
| 2016–2020                  | 7,831,450     | 14,890,000 |
| 2021–2025                  | 3,641,850     | 21,475,000 |
| 2026                       | 67,569        | 2,845,000  |
| Total                      | \$ 36,692,141 | 61,135,000 |

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.

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- 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.

### **(34) 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, 2005, outstanding bonds and notes under this program total \$2,205,235,000.

### **(35) DEFINED BENEFIT PENSION PLAN**

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2005, 2004 and 2003 were approximately \$905,000, \$885,000, and \$940,000, respectively.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). The ORC also provides statutory authority for employee and employer contributions. In 2005, the employee and employer contribution rates were 8.50% and 13.31%, respectively, for all Authority employees. Total required employer contributions were approximately \$120,500, \$118,000, and \$125,000 for the years ending December 31, 2005, 2004 and 2003, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### ***Postretirement Healthcare***

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

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The ORC provides statutory authority for employer contributions and requires public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer contribution to OPERS is set aside for the funding of postretirement healthcare. For the year ended December 31, 2005, that portion was 4.0% for all Authority employees.

OPEB are advance-funded using entry-age, normal cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0%, an annual increase in total payroll for active employees of 4.0% compounded annually for inflation, and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Healthcare premiums were assumed to increase 4.0% annually.

Net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation on depreciation on investments. The Authority's actuarially required and actual contributions for the OPERS healthcare plan was approximately \$36,210 for the year ending December 31, 2005, covering 20 participants.

### **(36) COMMITMENTS**

As of December 31, 2005, the Authority has loan commitments to finance LGA construction projects in the following amounts:

| <u>Fund</u>                  | <u>Amount</u>         |
|------------------------------|-----------------------|
| Other Projects               | \$ 10,638,817         |
| Rural Utility Services       | 7,201,220             |
| Community Assistance         | 10,393,452            |
| Fresh Water                  | 79,024,305            |
| Pure Water Refunding         | 652,693               |
| Water Pollution Control Loan | 677,413,710           |
| Drinking Water Assistance    | 79,521,378            |
|                              | <u>\$ 864,845,575</u> |

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.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### (37) TRANSFERS

Interfund transfers for the year ended December 31, 2005 consisted of the following:

|   |                |
|---|----------------|
| Transfer from Working Capital to:                           |                |
| Refunding   | \$ (309,642)   |
| Transfers to (from) Other Projects from (to):               |                |
| Community Assistance  | (54,529)       |
| Fresh Water   | 3,227,680      |
| Refunding   | (8,094)        |
| Safe Water Refunding  | (3,103,276)    |
| Pure Water Refunding  | (2,545,768)    |
| Water Pollution Control Loan                                | (101,297)      |
| Drinking Water Assistance                                   | (11,841)       |
|   | \$ (2,597,125) |
| Transfers to Community Assistance from:                     |                |
| Other Projects  | \$ 54,529      |
| Transfers to (from) Fresh Water from (to):                  |                |
| Other Projects  | (3,227,680)    |
| Refunding   | 5,507,387      |
| Safe Water Refunding  | 4,839,279      |
| Pure Water Refunding  | (12,085,883)   |
|   | \$ (4,966,897) |
| Transfers to (from) Refunding from (to):                    |                |
| Working Capital   | 309,642        |
| Other Projects  | 8,094          |
| Fresh Water   | (5,507,387)    |
|   | \$ (5,189,651) |
| Transfers to (from) Safe Water Refunding from (to):         |                |
| Other Projects  | 3,103,276      |
| Fresh Water   | (4,839,279)    |
|   | \$ (1,736,003) |
| Transfers to Pure Water Refunding from:                     |                |
| Other Projects  | 2,545,768      |
| Fresh Water   | 12,085,883     |
|   | \$ 14,631,651  |
| Transfers to (from) Water Pollution Control Loan from (to): |                |
| Other Projects  | 101,297        |
| Drinking Water Assistance                                   | (58,645)       |
|   | \$ 42,652      |
| Transfers to Drinking Water Assistance from:                |                |
| Other Projects  | 11,841         |
| Water Pollution Control Loan                                | 58,645         |
|   | \$ 70,486      |
| Total Transfers, net  | \$ —           |

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2005, the Authority made a transfer of \$20,000,000 from the Fresh Water Fund to the Pure Water Fund for the purpose of calling bonds and a transfer of \$2,129,125 from the Fresh Water Fund to the Other Projects Fund to provide additional funding for the Unallocated Reserve account.

### (38) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2005, the Authority has long-term liabilities in the following amounts:

| <b>Long-Term Liability</b>         | <b>12/31/2004 Balance</b> | <b>Additions</b>   | <b>Reductions</b>  | <b>12/31/2005 Balance</b> | <b>Due Within One Year</b> | <b>Due in More Than One Year</b> |
|------------------------------------|---------------------------|--------------------|--------------------|---------------------------|----------------------------|----------------------------------|
| Compensated Absences               | \$ 161,714                | 25,534             | 20,168             | 167,080                   | -                          | 167,080                          |
| Revenue Bonds and Notes Payable    | 2,243,949,138             | 975,028,982        | 595,560,486        | 2,623,417,634             | 141,798,183                | 2,481,619,451                    |
| <b>Total Long-Term Liabilities</b> | <b>2,244,110,852</b>      | <b>975,054,516</b> | <b>595,580,654</b> | <b>2,623,584,714</b>      | <b>141,798,183</b>         | <b>2,481,786,531</b>             |

**OHIO WATER DEVELOPMENT AUTHORITY  
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusteed Fund          |                                |                    |                |                                  |
|---|------------------------|--------------------------------|--------------------|----------------|----------------------------------|
|   | Unallocated<br>Reserve | Interest<br>Rate<br>Management | Endowment<br>Grant | Solid<br>Waste | Local<br>Economic<br>Development |
| <u>Assets</u>                           |                        |                                |                    |                |                                  |
| Current assets:                         |                        |                                |                    |                |                                  |
| Cash and cash equivalents               | \$ 43,713              | 84,157                         | 17,064             | 51,511         | 10,158,987                       |
| Investments                             | 16,438,035             | 4,240,707                      | 6,100,457          | 7,685,041      | 18,076,227                       |
| Loan receivables                        | -                      | -                              | -                  | 790,877        | 296,383                          |
| Total current assets                    | 16,481,748             | 4,324,864                      | 6,117,521          | 8,527,429      | 28,531,597                       |
| Noncurrent assets:                      |                        |                                |                    |                |                                  |
| Investments                             | -                      | -                              | -                  | -              | 3,987,829                        |
| Loan receivables                        | -                      | -                              | -                  | 7,423,628      | 13,036,980                       |
| Total noncurrent assets                 | -                      | -                              | -                  | 7,423,628      | 17,024,809                       |
| Total assets                            | \$ 16,481,748          | 4,324,864                      | 6,117,521          | 15,951,057     | 45,556,406                       |
| <u>Liabilities</u>                      |                        |                                |                    |                |                                  |
| Current liabilities:                    |                        |                                |                    |                |                                  |
| Accounts payable                        | -                      | -                              | 65,381             | -              | 15,097                           |
| Total liabilities                       | -                      | -                              | 65,381             | -              | 15,097                           |
| <u>Net Assets</u>                       |                        |                                |                    |                |                                  |
| Restricted for debt and grant covenants | -                      | -                              | -                  | -              | -                                |
| Unrestricted                            | 16,481,748             | 4,324,864                      | 6,052,140          | 15,951,057     | 45,541,309                       |
| Total net assets                        | 16,481,748             | 4,324,864                      | 6,052,140          | 15,951,057     | 45,541,309                       |
| Total liabilities and net assets        | \$ 16,481,748          | 4,324,864                      | 6,117,521          | 15,951,057     | 45,556,406                       |

Trusted Fund

| Village<br>Capital<br>Improvements | Emergency<br>Relief     | Dam<br>Safety           | Lake<br>Erie Soil<br>Erosion | Security<br>Assistance  | Interest<br>Rate<br>Subsidy | Fund<br>Total             |
|------------------------------------|-------------------------|-------------------------|------------------------------|-------------------------|-----------------------------|---------------------------|
| 2,412,819                          | 48,098                  | 5,178,221               | 1,999,263                    | 5,172,079               | 74,167                      | 25,240,079                |
| 6,866                              | 4,455,725               | 28,826                  | 5,372                        | 17,698                  | 16,045,448                  | 73,100,402                |
| 113,476                            | -                       | -                       | 10,024                       | 7,047                   | -                           | 1,217,807                 |
| <u>2,533,161</u>                   | <u>4,503,823</u>        | <u>5,207,047</u>        | <u>2,014,659</u>             | <u>5,196,824</u>        | <u>16,119,615</u>           | <u>99,558,288</u>         |
| -                                  | -                       | 4,272,165               | 150,744                      | -                       | -                           | 8,410,738                 |
| 882,437                            | -                       | -                       | 321,149                      | 178,828                 | -                           | 21,843,022                |
| <u>882,437</u>                     | <u>-</u>                | <u>4,272,165</u>        | <u>471,893</u>               | <u>178,828</u>          | <u>-</u>                    | <u>30,253,760</u>         |
| <u><u>3,415,598</u></u>            | <u><u>4,503,823</u></u> | <u><u>9,479,212</u></u> | <u><u>2,486,552</u></u>      | <u><u>5,375,652</u></u> | <u><u>16,119,615</u></u>    | <u><u>129,812,048</u></u> |
| 15,001                             | -                       | 21,878                  | -                            | -                       | -                           | 117,357                   |
| <u>15,001</u>                      | <u>-</u>                | <u>21,878</u>           | <u>-</u>                     | <u>-</u>                | <u>-</u>                    | <u>117,357</u>            |
| -                                  | -                       | -                       | -                            | -                       | -                           | -                         |
| 3,400,597                          | 4,503,823               | 9,457,334               | 2,486,552                    | 5,375,652               | 16,119,615                  | 129,694,691               |
| <u>3,400,597</u>                   | <u>4,503,823</u>        | <u>9,457,334</u>        | <u>2,486,552</u>             | <u>5,375,652</u>        | <u>16,119,615</u>           | <u>129,694,691</u>        |
| <u><u>3,415,598</u></u>            | <u><u>4,503,823</u></u> | <u><u>9,479,212</u></u> | <u><u>2,486,552</u></u>      | <u><u>5,375,652</u></u> | <u><u>16,119,615</u></u>    | <u><u>129,812,048</u></u> |

**OHIO WATER DEVELOPMENT AUTHORITY  
OTHER PROJECTS FUND**

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

Year ended December 31, 2005

|                                 | Trusted Fund           |                                |                    |                |                                  |
|---------------------------------|------------------------|--------------------------------|--------------------|----------------|----------------------------------|
|                                 | Unallocated<br>Reserve | Interest<br>Rate<br>Management | Endowment<br>Grant | Solid<br>Waste | Local<br>Economic<br>Development |
| Operating revenues:             |                        |                                |                    |                |                                  |
| Loan income                     | \$ -                   | -                              | -                  | 384,029        | 317,147                          |
| Investment income               | 444,203                | 69,483                         | 177,934            | 254,207        | 937,996                          |
| Total operating revenues        | 444,203                | 69,483                         | 177,934            | 638,236        | 1,255,143                        |
| Operating expenses:             |                        |                                |                    |                |                                  |
| Other                           | 22,931                 | 1,913                          | 478,955            | 12,507         | 25,771                           |
| Total operating expenses        | 22,931                 | 1,913                          | 478,955            | 12,507         | 25,771                           |
| Operating income (loss)         | 421,272                | 67,570                         | (301,021)          | 625,729        | 1,229,372                        |
| Transfers in (out), net         | 766,122                | 2,623,745                      | -                  | -              | -                                |
| Change in net assets            | 1,187,394              | 2,691,315                      | (301,021)          | 625,729        | 1,229,372                        |
| Net assets at beginning of year | 15,294,354             | 1,633,549                      | 6,353,161          | 15,325,328     | 44,311,937                       |
| Net assets at end of year       | \$ 16,481,748          | 4,324,864                      | 6,052,140          | 15,951,057     | 45,541,309                       |

Trusteed Fund

| Village<br>Capital<br>Improvements | Emergency<br>Relief | Dam<br>Safety    | Lake<br>Erie Soil<br>Erosion | Security<br>Assistance | Interest<br>Rate<br>Subsidy | Fund<br>Total      |
|------------------------------------|---------------------|------------------|------------------------------|------------------------|-----------------------------|--------------------|
| -                                  | -                   | -                | 19,339                       | 3,724                  | -                           | 724,239            |
| <u>58,952</u>                      | <u>133,041</u>      | <u>288,678</u>   | <u>60,985</u>                | <u>156,731</u>         | <u>484,609</u>              | <u>3,066,819</u>   |
| 58,952                             | 133,041             | 288,678          | 80,324                       | 160,455                | 484,609                     | 3,791,058          |
| <u>1,350</u>                       | <u>4,767</u>        | <u>3,679</u>     | <u>6,000</u>                 | <u>1,500</u>           | <u>17,545</u>               | <u>576,918</u>     |
| 1,350                              | 4,767               | 3,679            | 6,000                        | 1,500                  | 17,545                      | 576,918            |
| <u>57,602</u>                      | <u>128,274</u>      | <u>284,999</u>   | <u>74,324</u>                | <u>158,955</u>         | <u>467,064</u>              | <u>3,214,140</u>   |
| -                                  | (974,144)           | -                | -                            | -                      | (5,012,848)                 | (2,597,125)        |
| <u>57,602</u>                      | <u>(845,870)</u>    | <u>284,999</u>   | <u>74,324</u>                | <u>158,955</u>         | <u>(4,545,784)</u>          | <u>617,015</u>     |
| <u>3,342,995</u>                   | <u>5,349,693</u>    | <u>9,172,335</u> | <u>2,412,228</u>             | <u>5,216,697</u>       | <u>20,665,399</u>           | <u>129,077,676</u> |
| <u>3,400,597</u>                   | <u>4,503,823</u>    | <u>9,457,334</u> | <u>2,486,552</u>             | <u>5,375,652</u>       | <u>16,119,615</u>           | <u>129,694,691</u> |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**OTHER PROJECTS FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund          |                                |                    |                |                                  |
|---|------------------------|--------------------------------|--------------------|----------------|----------------------------------|
|   | Unallocated<br>Reserve | Interest<br>Rate<br>Management | Endowment<br>Grant | Solid<br>Waste | Local<br>Economic<br>Development |
| Operating activities:   |                        |                                |                    |                |                                  |
| Operating expenses  | \$ (22,931)            | (1,913)                        | (18,702)           | (12,507)       | (25,771)                         |
| Net cash (used) by operating activities   | (22,931)               | (1,913)                        | (18,702)           | (12,507)       | (25,771)                         |
| Investing activities:   |                        |                                |                    |                |                                  |
| Proceeds from maturity or sale of investments   | 38,765,754             | 4,571,980                      | 14,537,508         | 25,560,071     | 19,250,632                       |
| Purchase of investments   | (39,971,710)           | (7,159,726)                    | (14,284,133)       | (25,191,554)   | (14,491,485)                     |
| Interest received on investments, net of purchased interest                           | 371,896                | 44,060                         | 144,265            | 222,925        | 845,245                          |
| Interest received on projects   | -                      | -                              | -                  | 368,930        | 273,395                          |
| Principal collected on projects   | -                      | -                              | -                  | 541,228        | 1,722,470                        |
| Payment for construction of projects  | -                      | -                              | (567,491)          | (1,946,495)    | (4,562,853)                      |
| Net cash provided (used) by investing activities                                      | (834,060)              | (2,543,686)                    | (169,851)          | (444,895)      | 3,037,404                        |
| Noncapital financing activities:  |                        |                                |                    |                |                                  |
| Other   | -                      | 1,260,742                      | -                  | -              | -                                |
| Transfers (to) from other funds   | 766,122                | 1,363,002                      | -                  | -              | -                                |
| Net cash provided (used) by noncapital financing activities                           | 766,122                | 2,623,744                      | -                  | -              | -                                |
| Net increase (decrease) in cash and cash equivalents                                  | (90,869)               | 78,145                         | (188,553)          | (457,402)      | 3,011,633                        |
| Cash and cash equivalents at beginning of year  | 134,582                | 6,012                          | 205,617            | 508,913        | 7,147,354                        |
| Cash and cash equivalents at end of year  | \$ 43,713              | 84,157                         | 17,064             | 51,511         | 10,158,987                       |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                        |                                |                    |                |                                  |
| Operating income (loss)   | 421,272                | 67,570                         | (301,021)          | 625,729        | 1,229,372                        |
| Adjustments:  |                        |                                |                    |                |                                  |
| Investment income   | (444,203)              | (69,483)                       | (177,934)          | (254,207)      | (937,996)                        |
| Operating expenses  | -                      | -                              | 460,253            | -              | -                                |
| Loan income   | -                      | -                              | -                  | (384,029)      | (317,147)                        |
| Net cash (used) by operating activities   | \$ (22,931)            | (1,913)                        | (18,702)           | (12,507)       | (25,771)                         |

Trusteed Fund

| Village<br>Capital<br>Improvements | Emergency<br>Relief | Dam<br>Safety | Lake<br>Erie Soil<br>Erosion | Security<br>Assistance | Interest<br>Rate<br>Subsidy | Fund<br>Total |
|------------------------------------|---------------------|---------------|------------------------------|------------------------|-----------------------------|---------------|
| (1,350)                            | (4,767)             | (3,679)       | (6,000)                      | (1,500)                | (17,545)                    | (116,665)     |
| (1,350)                            | (4,767)             | (3,679)       | (6,000)                      | (1,500)                | (17,545)                    | (116,665)     |
| -                                  | 14,166,767          | 306,543       | 1,622,633                    | -                      | 49,360,919                  | 168,142,807   |
| -                                  | (13,583,241)        | (1,150,000)   | (897,633)                    | -                      | (44,853,858)                | (161,583,340) |
| 55,158                             | 127,376             | 325,587       | 72,106                       | 147,252                | 444,841                     | 2,800,711     |
| -                                  | -                   | -             | 19,339                       | 3,775                  | -                           | 665,439       |
| 332,693                            | -                   | -             | 48,394                       | 5,122                  | -                           | 2,649,907     |
| (300,954)                          | -                   | -             | -                            | (18,871)               | -                           | (7,396,664)   |
| 86,897                             | 710,902             | (517,870)     | 864,839                      | 137,278                | 4,951,902                   | 5,278,860     |
| -                                  | -                   | -             | -                            | -                      | -                           | 1,260,742     |
| -                                  | (974,143)           | -             | -                            | -                      | (5,012,853)                 | (3,857,872)   |
| -                                  | (974,143)           | -             | -                            | -                      | (5,012,853)                 | (2,597,130)   |
| 85,547                             | (268,008)           | (521,549)     | 858,839                      | 135,778                | (78,496)                    | 2,565,065     |
| 2,327,272                          | 316,106             | 5,699,770     | 1,140,424                    | 5,036,301              | 152,663                     | 22,675,014    |
| 2,412,819                          | 48,098              | 5,178,221     | 1,999,263                    | 5,172,079              | 74,167                      | 25,240,079    |
| 57,602                             | 128,274             | 284,999       | 74,324                       | 158,955                | 467,064                     | 3,214,140     |
| (58,952)                           | (133,041)           | (288,678)     | (60,985)                     | (156,731)              | (484,609)                   | (3,066,819)   |
| -                                  | -                   | -             | -                            | -                      | -                           | 460,253       |
| -                                  | -                   | -             | (19,339)                     | (3,724)                | -                           | (724,239)     |
| (1,350)                            | (4,767)             | (3,679)       | (6,000)                      | (1,500)                | (17,545)                    | (116,665)     |

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

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusted Fund                 |                              |
|---|------------------------------|------------------------------|
|   | Rural<br>Development<br>1999 | Rural<br>Development<br>2002 |
| <u>Assets</u>   |                              |                              |
| Noncurrent assets:  |                              |                              |
| Restricted note covenant assets:                            |                              |                              |
| Cash and Cash Equivalents                                   | \$ -                         | 431,216                      |
| Investments   | -                            | 1,475                        |
| Loan receivables  | 515,507                      | 91,723                       |
| Total restricted assets                                     | 515,507                      | 524,414                      |
| Deferred note issuance expense                              | -                            | -                            |
| Total assets  | \$ 515,507                   | 524,414                      |
| <br><u>Liabilities</u>                                      |                              |                              |
| Current liabilities payable from restricted assets:         |                              |                              |
| Accrued interest  | -                            | -                            |
| Accounts payable  | -                            | -                            |
| Water Development Revenue Notes:                            |                              |                              |
| Rural Development Series 2004                               | -                            | -                            |
| Total current liabilities payable from<br>restricted assets | -                            | -                            |
| Noncurrent liabilities:                                     |                              |                              |
| Water Development Revenue Notes:                            |                              |                              |
| Rural Development Series 2004                               | -                            | -                            |
| Total noncurrent liabilities                                | -                            | -                            |
| Total liabilities   | -                            | -                            |
| <br><u>Net Assets</u>                                       |                              |                              |
| Restricted for debt and grant covenants                     | 515,507                      | 524,414                      |
| Unrestricted  | -                            | -                            |
| Total net assets  | 515,507                      | 524,414                      |
| Total liabilities and net assets                            | \$ 515,507                   | 524,414                      |

Trusteed Fund

| Rural<br>Development<br>2003 | Rural<br>Development<br>2004 | Fund<br>Total     |
|------------------------------|------------------------------|-------------------|
| 1,001,815                    | 14,060,502                   | 15,493,533        |
| 2,946                        | 33,243                       | 37,664            |
| 10,011,525                   | 7,845,758                    | 18,464,513        |
| <u>11,016,286</u>            | <u>21,939,503</u>            | <u>33,995,710</u> |
| -                            | 54,323                       | 54,323            |
| <u>11,016,286</u>            | <u>21,993,826</u>            | <u>34,050,033</u> |
| -                            | 39,580                       | 39,580            |
| -                            | 518,383                      | 518,383           |
| <u>-</u>                     | <u>9,827,000</u>             | <u>9,827,000</u>  |
| -                            | 10,384,963                   | 10,384,963        |
| <u>-</u>                     | <u>4,978,000</u>             | <u>4,978,000</u>  |
| -                            | 4,978,000                    | 4,978,000         |
| <u>-</u>                     | <u>15,362,963</u>            | <u>15,362,963</u> |
| 11,016,286                   | 6,630,863                    | 18,687,070        |
| -                            | -                            | -                 |
| <u>11,016,286</u>            | <u>6,630,863</u>             | <u>18,687,070</u> |
| <u>11,016,286</u>            | <u>21,993,826</u>            | <u>34,050,033</u> |

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

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

Year ended December 31, 2005

|                                       | Trusteed Fund                |                              |                              |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
|                                       | Rural<br>Development<br>1999 | Rural<br>Development<br>2000 | Rural<br>Development<br>2002 |
|                                       |                              |                              |                              |
| Operating revenues:                   |                              |                              |                              |
| Loan income                           | \$ 49,132                    | 30,861                       | 264,379                      |
| Investment income                     | -                            | -                            | 15,144                       |
| Total operating revenues              | 49,132                       | 30,861                       | 279,523                      |
| Operating expenses:                   |                              |                              |                              |
| Interest on notes                     | -                            | -                            | -                            |
| Amortization of note issuance expense | -                            | -                            | -                            |
| Other                                 | -                            | -                            | -                            |
| Total operating expenses              | -                            | -                            | -                            |
| Operating income (loss)               | 49,132                       | 30,861                       | 279,523                      |
| Transfers in (out), net               | -                            | (2,908,309)                  | (7,777,953)                  |
| Change in net assets                  | 49,132                       | (2,877,448)                  | (7,498,430)                  |
| Net assets at beginning of year       | 466,375                      | 2,877,448                    | 8,022,844                    |
| Net assets at end of year             | \$ 515,507                   | -                            | 524,414                      |

Trusteed Fund

| Rural<br>Development<br>2003 | Rural<br>Development<br>2004 | Fund<br>Total     |
|------------------------------|------------------------------|-------------------|
| 393,195                      | 102,357                      | 839,924           |
| <u>97,820</u>                | <u>353,616</u>               | <u>466,580</u>    |
| 491,015                      | 455,973                      | 1,306,504         |
|                              |                              |                   |
| 304,611                      | 395,279                      | 699,890           |
| 57,469                       | 31,044                       | 88,513            |
| <u>84,396</u>                | <u>79,746</u>                | <u>164,142</u>    |
| 446,476                      | 506,069                      | 952,545           |
|                              |                              |                   |
| <u>44,539</u>                | <u>(50,096)</u>              | <u>353,959</u>    |
|                              |                              |                   |
| <u>3,978,727</u>             | <u>6,707,535</u>             | -                 |
| 4,023,266                    | 6,657,439                    | 353,959           |
|                              |                              |                   |
| <u>6,993,020</u>             | <u>(26,576)</u>              | <u>18,333,111</u> |
| <u>11,016,286</u>            | <u>6,630,863</u>             | <u>18,687,070</u> |

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund                |                              |                              |
|---|------------------------------|------------------------------|------------------------------|
|   | Rural<br>Development<br>1999 | Rural<br>Development<br>2000 | Rural<br>Development<br>2002 |
|   | 1999                         | 2000                         | 2002                         |
| Operating activities:   |                              |                              |                              |
| Operating expenses  | \$ -                         | -                            | -                            |
| Net cash (used) by operating activities   | -                            | -                            | -                            |
| Investing activities:   |                              |                              |                              |
| Interest received on investments, net of purchased interest                           | -                            | -                            | 15,125                       |
| Principal collected on projects   | -                            | -                            | -                            |
| Payment for construction of projects  | -                            | -                            | (88,198)                     |
| Net cash provided (used) by investing activities                                      | -                            | -                            | (73,073)                     |
| Noncapital financing activities:  |                              |                              |                              |
| Interest paid on notes, net of purchased interest                                     | -                            | -                            | -                            |
| Redemption of notes   | -                            | -                            | -                            |
| Transfers (to) from other funds   | -                            | (1)                          | (388,990)                    |
| Net cash provided (used) by noncapital financing activities                           | -                            | (1)                          | (388,990)                    |
| Net increase (decrease) in cash and cash equivalents                                  | -                            | (1)                          | (462,063)                    |
| Cash and cash equivalents at beginning of year  | -                            | 1                            | 893,279                      |
| Cash and cash equivalents at end of year  | \$ -                         | -                            | 431,216                      |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                              |                              |                              |
| Operating income (loss)   | 49,132                       | 30,861                       | 279,523                      |
| Adjustments:  |                              |                              |                              |
| Investment income   | -                            | -                            | (15,144)                     |
| Interest on notes   | -                            | -                            | -                            |
| Loan income   | (49,132)                     | (30,861)                     | (264,379)                    |
| Amortization of note issuance expense   | -                            | -                            | -                            |
| Net cash (used) by operating activities   | \$ -                         | -                            | -                            |

Trusteed Fund

| Rural<br>Development<br>2003 | Rural<br>Development<br>2004 | Fund<br>Total |
|------------------------------|------------------------------|---------------|
| (84,396)                     | (79,746)                     | (164,142)     |
| (84,396)                     | (79,746)                     | (164,142)     |
| 105,973                      | 350,945                      | 472,043       |
| 17,715,771                   | 7,608,058                    | 25,323,829    |
| (2,063,716)                  | (7,317,861)                  | (9,469,775)   |
| 15,758,028                   | 641,142                      | 16,326,097    |
| (337,518)                    | (378,606)                    | (716,124)     |
| (22,985,000)                 | (1,195,000)                  | (24,180,000)  |
| 688,991                      | (300,000)                    | -             |
| (22,633,527)                 | (1,873,606)                  | (24,896,124)  |
| (6,959,895)                  | (1,312,210)                  | (8,734,169)   |
| 7,961,710                    | 15,372,712                   | 24,227,702    |
| 1,001,815                    | 14,060,502                   | 15,493,533    |
| 44,539                       | (50,096)                     | 353,959       |
| (97,820)                     | (353,616)                    | (466,580)     |
| 304,611                      | 395,279                      | 699,890       |
| (393,195)                    | (102,357)                    | (839,924)     |
| 57,469                       | 31,044                       | 88,513        |
| (84,396)                     | (79,746)                     | (164,142)     |

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**OHIO WATER DEVELOPMENT AUTHORITY  
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusted Fund                    |                                 |                                 |               |
|---|---------------------------------|---------------------------------|---------------------------------|---------------|
|   | 1997<br>Community<br>Assistance | 2003<br>Community<br>Assistance | 2005<br>Community<br>Assistance | Fund<br>Total |
| <u>Assets</u>   |                                 |                                 |                                 |               |
| Noncurrent assets:  |                                 |                                 |                                 |               |
| Restricted bond covenant assets:  |                                 |                                 |                                 |               |
| Cash and cash equivalents   | \$ 14,528,786                   | 590,593                         | 31,714                          | 15,151,093    |
| Investments   | 4,958,308                       | 37,390,573                      | 101                             | 42,348,982    |
| Loan receivables  | 127,815,912                     | 19,677,993                      | -                               | 147,493,905   |
| Total restricted assets   | 147,303,006                     | 57,659,159                      | 31,815                          | 204,993,980   |
| Other receivables   | 133,960                         | -                               | -                               | 133,960       |
| Deferred bond issuance expense  | 59,122                          | 569,903                         | 401,733                         | 1,030,758     |
| Total assets  | \$ 147,496,088                  | 58,229,062                      | 433,548                         | 206,158,698   |
| <br><u>Liabilities</u>  |                                 |                                 |                                 |               |
| Current liabilities payable from restricted assets:                     |                                 |                                 |                                 |               |
| Accrued interest  | 21,350                          | 189,705                         | 135,281                         | 346,336       |
| Accounts payable  | 48,074                          | 856,172                         | 3,500                           | 907,746       |
| Water Development Revenue Bonds:  |                                 |                                 |                                 |               |
| Community Assistance Series 1997 - 2005                                 | 2,070,000                       | 1,470,000                       | 175,000                         | 3,715,000     |
| Total current liabilities payable from<br>restricted assets             | 2,139,424                       | 2,515,877                       | 313,781                         | 4,969,082     |
| Noncurrent liabilities:   |                                 |                                 |                                 |               |
| Water Development Revenue Bonds:  |                                 |                                 |                                 |               |
| Community Assistance Series 1997 - 2005,<br>net of discount and premium | 2,260,024                       | 52,063,191                      | 36,142,866                      | 90,466,081    |
| Total noncurrent liabilities  | 2,260,024                       | 52,063,191                      | 36,142,866                      | 90,466,081    |
| Total liabilities   | 4,399,448                       | 54,579,068                      | 36,456,647                      | 95,435,163    |
| <br><u>Net Assets</u>   |                                 |                                 |                                 |               |
| Restricted for debt and grant covenants                                 | 143,096,640                     | 3,649,994                       | (36,023,099)                    | 110,723,535   |
| Unrestricted  | -                               | -                               | -                               | -             |
| Total net assets  | 143,096,640                     | 3,649,994                       | (36,023,099)                    | 110,723,535   |
| Total liabilities and net assets  | \$ 147,496,088                  | 58,229,062                      | 433,548                         | 206,158,698   |

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**OHIO WATER DEVELOPMENT AUTHORITY  
COMMUNITY ASSISTANCE FUND**

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

Year ended December 31, 2005

|                                       | Trusteed Fund                   |                                 |                                 |               |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------|
|                                       | 1997<br>Community<br>Assistance | 2003<br>Community<br>Assistance | 2005<br>Community<br>Assistance | Fund<br>Total |
| Operating revenues:                   |                                 |                                 |                                 |               |
| Loan income                           | \$ 2,475,287                    | 169,319                         | -                               | 2,644,606     |
| Investment income                     | 674,422                         | 1,007,494                       | 443                             | 1,682,359     |
| Total operating revenues              | 3,149,709                       | 1,176,813                       | 443                             | 4,326,965     |
| Operating expenses:                   |                                 |                                 |                                 |               |
| Interest on bonds                     | 1,356,048                       | 2,186,127                       | 728,048                         | 4,270,223     |
| Amortization of bond issuance expense | 27,809                          | 22,795                          | 10,572                          | 61,176        |
| Other                                 | 60,915                          | -                               | -                               | 60,915        |
| Total operating expenses              | 1,444,772                       | 2,208,922                       | 738,620                         | 4,392,314     |
| Operating income (loss)               | 1,704,937                       | (1,032,109)                     | (738,177)                       | (65,349)      |
| Transfers in (out), net               | 31,975,308                      | 3,364,143                       | (35,284,922)                    | 54,529        |
| Change in net assets                  | 33,680,245                      | 2,332,034                       | (36,023,099)                    | (10,820)      |
| Net assets at beginning of year       | 109,416,395                     | 1,317,960                       | -                               | 110,734,355   |
| Net assets at end of year             | \$ 143,096,640                  | 3,649,994                       | (36,023,099)                    | 110,723,535   |

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**OHIO WATER DEVELOPMENT AUTHORITY  
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund                   |                                 |                                 |               |
|---|---------------------------------|---------------------------------|---------------------------------|---------------|
|   | 1997<br>Community<br>Assistance | 2003<br>Community<br>Assistance | 2005<br>Community<br>Assistance | Fund<br>Total |
| Operating activities:   |                                 |                                 |                                 |               |
| Operating expenses  | \$ (6,387)                      | -                               | -                               | (6,387)       |
| Net cash (used) by operating activities   | (6,387)                         | -                               | -                               | (6,387)       |
| Investing activities:   |                                 |                                 |                                 |               |
| Proceeds from maturity or sale of investments   | -                               | 9,169,370                       | -                               | 9,169,370     |
| Purchase of investments   | (653,922)                       | (806,170)                       | -                               | (1,460,092)   |
| Interest received on investments, net of purchased interest                           | 651,024                         | 1,029,728                       | 344                             | 1,681,096     |
| Interest received on projects   | 2,343,154                       | 71,549                          | -                               | 2,414,703     |
| Principal collected on projects   | 5,812,713                       | 91,094                          | -                               | 5,903,807     |
| Payment for construction of projects  | (2,630,175)                     | (15,406,808)                    | -                               | (18,036,983)  |
| Net cash provided (used) by investing activities                                      | 5,522,794                       | (5,851,237)                     | 344                             | (328,099)     |
| Noncapital financing activities:  |                                 |                                 |                                 |               |
| Interest paid on bonds, net of purchased interest                                     | (1,288,475)                     | (2,293,762)                     | (588,869)                       | (4,171,106)   |
| Proceeds of bonds   | -                               | -                               | 39,359,465                      | 39,359,465    |
| Bond issuance expense   | -                               | -                               | (408,805)                       | (408,805)     |
| Redemption of bonds   | (1,975,000)                     | (1,100,000)                     | (39,164,290)                    | (42,239,290)  |
| Transfers (to) from other funds   | (4,143,483)                     | 3,364,142                       | 833,869                         | 54,528        |
| Net cash (used) by noncapital financing activities                                    | (7,406,958)                     | (29,620)                        | 31,370                          | (7,405,208)   |
| Net increase (decrease) in cash and cash equivalents                                  | (1,890,551)                     | (5,880,857)                     | 31,714                          | (7,739,694)   |
| Cash and cash equivalents at beginning of year  | 16,419,337                      | 6,471,450                       | -                               | 22,890,787    |
| Cash and cash equivalents at end of year  | \$ 14,528,786                   | 590,593                         | 31,714                          | 15,151,093    |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                                 |                                 |                                 |               |
| Operating income (loss)   | 1,704,937                       | (1,032,109)                     | (738,177)                       | (65,349)      |
| Adjustments:  |                                 |                                 |                                 |               |
| Investment income   | (674,422)                       | (1,007,494)                     | (443)                           | (1,682,359)   |
| Operating expenses  | 54,528                          | -                               | -                               | 54,528        |
| Interest on bonds   | 1,356,048                       | 2,186,127                       | 728,048                         | 4,270,223     |
| Loan income   | (2,475,287)                     | (169,319)                       | -                               | (2,644,606)   |
| Amortization of bond issuance expense   | 27,809                          | 22,795                          | 10,572                          | 61,176        |
| Net cash (used) by operating activities   | \$ (6,387)                      | -                               | -                               | (6,387)       |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**FRESH WATER FUND**

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusted Fund   |                        |                        |
|---|----------------|------------------------|------------------------|
|   | Fresh<br>Water | 1995<br>Fresh<br>Water | 1998<br>Fresh<br>Water |
| <u>Assets</u>   |                |                        |                        |
| Noncurrent assets:  |                |                        |                        |
| Restricted bond covenant assets:                                  |                |                        |                        |
| Cash and cash equivalents   | \$ 18,987,961  | 16,388,460             | 24,123,279             |
| Investments   | 1,970,434      | 25,669,464             | 4,612,523              |
| Loan receivables  | 110,029,343    | 97,039,197             | 129,567,178            |
| Total restricted assets   | 130,987,738    | 139,097,121            | 158,302,980            |
| Other receivables   | -              | 177,659                | 909,281                |
| Deferred bond issuance expense                                    | -              | -                      | 515,239                |
| Total assets  | \$ 130,987,738 | 139,274,780            | 159,727,500            |
| <u>Liabilities</u>  |                |                        |                        |
| Current liabilities payable from restricted assets:               |                |                        |                        |
| Due to other funds  | 9,427          | -                      | -                      |
| Accrued interest  | -              | -                      | 240,144                |
| Accounts payable  | 1,448          | 65,100                 | 118,162                |
| Water Development Revenue Bonds:                                  |                |                        |                        |
| Fresh Water Series 1998 - 2005                                    | -              | -                      | 9,115,000              |
| Total current liabilities payable from restricted assets          | 10,875         | 65,100                 | 9,473,306              |
| Noncurrent liabilities:   |                |                        |                        |
| Water Development Revenue Bonds:                                  |                |                        |                        |
| Fresh Water Series 1998 - 2005, net of premiums and deferred loss | -              | -                      | 47,140,885             |
| Total noncurrent liabilities                                      | -              | -                      | 47,140,885             |
| Total liabilities   | 10,875         | 65,100                 | 56,614,191             |
| <u>Net Assets</u>   |                |                        |                        |
| Restricted for debt and grant covenants                           | 130,976,863    | 139,209,680            | 103,113,309            |
| Unrestricted  | -              | -                      | -                      |
| Total net assets  | 130,976,863    | 139,209,680            | 103,113,309            |
| Total liabilities and net assets                                  | \$ 130,987,738 | 139,274,780            | 159,727,500            |

Trusteed Fund

| 2001<br>Fresh<br>Water | 2002<br>Fresh<br>Water | 2004<br>Fresh<br>Water | 2005<br>Fresh<br>Water | Fund<br>Total      |
|------------------------|------------------------|------------------------|------------------------|--------------------|
| 4,742,838              | 2,075,051              | 217,146                | 12,298                 | 66,547,033         |
| 3,920,759              | 17,893,778             | 78,770,763             | 37                     | 132,837,758        |
| 21,185,607             | 93,796,246             | 81,698,628             | -                      | 533,316,199        |
| <u>29,849,204</u>      | <u>113,765,075</u>     | <u>160,686,537</u>     | <u>12,335</u>          | <u>732,700,990</u> |
| -                      | -                      | -                      | -                      | 1,086,940          |
| 607,494                | 475,398                | 1,086,837              | 849,950                | 3,534,918          |
| <u>30,456,698</u>      | <u>114,240,473</u>     | <u>161,773,374</u>     | <u>862,285</u>         | <u>737,322,848</u> |
| -                      | -                      | -                      | -                      | 9,427              |
| 273,652                | 234,650                | 588,938                | 463,909                | 1,801,293          |
| 32,545                 | 272,728                | 4,681,294              | -                      | 5,171,277          |
| <u>695,000</u>         | <u>3,500,000</u>       | <u>4,055,000</u>       | <u>-</u>               | <u>17,365,000</u>  |
| 1,001,197              | 4,007,378              | 9,325,232              | 463,909                | 24,346,997         |
| <u>60,504,727</u>      | <u>57,991,281</u>      | <u>144,746,996</u>     | <u>111,491,792</u>     | <u>421,875,681</u> |
| 60,504,727             | 57,991,281             | 144,746,996            | 111,491,792            | 421,875,681        |
| <u>61,505,924</u>      | <u>61,998,659</u>      | <u>154,072,228</u>     | <u>111,955,701</u>     | <u>446,222,678</u> |
| (31,049,226)           | 52,241,814             | 7,701,146              | (111,093,416)          | 291,100,170        |
| -                      | -                      | -                      | -                      | -                  |
| <u>(31,049,226)</u>    | <u>52,241,814</u>      | <u>7,701,146</u>       | <u>(111,093,416)</u>   | <u>291,100,170</u> |
| <u>30,456,698</u>      | <u>114,240,473</u>     | <u>161,773,374</u>     | <u>862,285</u>         | <u>737,322,848</u> |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**FRESH WATER FUND**

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

Year ended December 31, 2005

|  | Trusteed Fund         |                        |                        |
|--|-----------------------|------------------------|------------------------|
|  | Fresh<br>Water        | 1995<br>Fresh<br>Water | 1998<br>Fresh<br>Water |
| Operating revenues:                    |                       |                        |                        |
| Loan income                            | \$ 6,863,105          | 4,933,470              | 7,269,935              |
| Investment income                      | 675,123               | 1,286,158              | 1,018,470              |
| Total operating revenues               | <u>7,538,228</u>      | <u>6,219,628</u>       | <u>8,288,405</u>       |
| Operating expenses:                    |                       |                        |                        |
| Interest on bonds                      | -                     | 89,305                 | 3,651,017              |
| Amortization of bond issuance expense  | -                     | 82,549                 | 110,689                |
| Other                                  | 93,644                | 13,279                 | 67,555                 |
| Total operating expenses               | <u>93,644</u>         | <u>185,133</u>         | <u>3,829,261</u>       |
| Operating income (loss)                | <u>7,444,584</u>      | <u>6,034,495</u>       | <u>4,459,144</u>       |
| Nonoperating other revenues (expenses) | -                     | 1,260,742              | -                      |
| Income (loss) before transfers         | <u>7,444,584</u>      | <u>7,295,237</u>       | <u>4,459,144</u>       |
| Transfers in (out), net                | <u>(12,334,492)</u>   | <u>(6,333,695)</u>     | <u>56,454,497</u>      |
| Change in net assets                   | (4,889,908)           | 961,542                | 60,913,641             |
| Net assets at beginning of year        | <u>135,866,771</u>    | <u>138,248,138</u>     | <u>42,199,668</u>      |
| Net assets at end of year              | <u>\$ 130,976,863</u> | <u>139,209,680</u>     | <u>103,113,309</u>     |

Trusted Fund

| 2001<br>Fresh<br>Water | 2002<br>Fresh<br>Water | 2004<br>Fresh<br>Water | 2005<br>Fresh<br>Water | Fund<br>Total      |
|------------------------|------------------------|------------------------|------------------------|--------------------|
| 1,151,312              | 4,259,307              | 1,696,348              | -                      | 26,173,477         |
| <u>225,082</u>         | <u>614,543</u>         | <u>3,154,650</u>       | <u>13,796</u>          | <u>6,987,822</u>   |
| 1,376,394              | 4,873,850              | 4,850,998              | 13,796                 | 33,161,299         |
| 3,394,720              | 3,070,188              | 6,806,774              | 3,822,350              | 20,834,354         |
| 51,128                 | 33,828                 | 37,477                 | 42,498                 | 358,169            |
| <u>34,876</u>          | <u>25,508</u>          | <u>32,038</u>          | <u>11,435</u>          | <u>278,335</u>     |
| 3,480,724              | 3,129,524              | 6,876,289              | 3,876,283              | 21,470,858         |
| <u>(2,104,330)</u>     | <u>1,744,326</u>       | <u>(2,025,291)</u>     | <u>(3,862,487)</u>     | <u>11,690,441</u>  |
| -                      | -                      | -                      | -                      | 1,260,742          |
| <u>(2,104,330)</u>     | <u>1,744,326</u>       | <u>(2,025,291)</u>     | <u>(3,862,487)</u>     | <u>12,951,183</u>  |
| <u>15,376,837</u>      | <u>40,582,400</u>      | <u>8,518,485</u>       | <u>(107,230,929)</u>   | <u>(4,966,897)</u> |
| 13,272,507             | 42,326,726             | 6,493,194              | (111,093,416)          | 7,984,286          |
| <u>(44,321,733)</u>    | <u>9,915,088</u>       | <u>1,207,952</u>       | <u>-</u>               | <u>283,115,884</u> |
| <u>(31,049,226)</u>    | <u>52,241,814</u>      | <u>7,701,146</u>       | <u>(111,093,416)</u>   | <u>291,100,170</u> |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**FRESH WATER FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusted Fund   |                        |                        |
|---|----------------|------------------------|------------------------|
|   | Fresh<br>Water | 1995<br>Fresh<br>Water | 1998<br>Fresh<br>Water |
| Operating activities:   |                |                        |                        |
| Operating expenses  | \$ (8,613)     | (13,279)               | (19,294)               |
| Net cash (used) by operating activities   | (8,613)        | (13,279)               | (19,294)               |
| Investing activities:   |                |                        |                        |
| Proceeds from maturity or sale of investments   | 12,148,247     | 41,957,901             | 11,127,476             |
| Purchase of investments   | (12,082,782)   | (37,666,413)           | (11,140,419)           |
| Interest received on investments, net of purchased interest                           | 648,966        | 1,259,307              | 971,545                |
| Interest received on projects   | 7,385,978      | 4,570,585              | 6,733,930              |
| Principal collected on projects   | 5,758,672      | 4,604,162              | 10,321,715             |
| Payment for construction of projects  | (444,664)      | (4,451,593)            | (2,503,651)            |
| Net cash provided (used) by investing activities                                      | 13,414,417     | 10,273,949             | 15,510,596             |
| Noncapital financing activities:  |                |                        |                        |
| Interest paid on bonds, net of purchased interest                                     | -              | (101,790)              | (3,101,325)            |
| Proceeds of bonds   | -              | -                      | -                      |
| Bond issuance expense   | -              | -                      | -                      |
| Redemption of bonds   | -              | (2,980,000)            | (6,055,000)            |
| Transfers (to) from other funds   | (12,334,492)   | (5,072,953)            | (2,408,878)            |
| Net cash provided (used) by noncapital financing activities                           | (12,334,492)   | (8,154,743)            | (11,565,203)           |
| Net increase (decrease) in cash and cash equivalents                                  | 1,071,312      | 2,105,927              | 3,926,099              |
| Cash and cash equivalents at beginning of year  | 17,916,649     | 14,282,533             | 20,197,180             |
| Cash and cash equivalents at end of year  | \$ 18,987,961  | 16,388,460             | 24,123,279             |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                |                        |                        |
| Operating income (loss)   | 7,444,584      | 6,034,495              | 4,459,144              |
| Adjustments:  |                |                        |                        |
| Investment income   | (675,123)      | (1,286,158)            | (1,018,470)            |
| Operating expenses  | 85,031         | -                      | 48,261                 |
| Interest on bonds   | -              | 89,305                 | 3,651,017              |
| Loan income   | (6,863,105)    | (4,933,470)            | (7,269,935)            |
| Amortization of bond issuance expense   | -              | 82,549                 | 110,689                |
| Net cash (used) by operating activities   | \$ (8,613)     | (13,279)               | (19,294)               |

Trusteed Fund

| 2001<br>Fresh<br>Water | 2002<br>Fresh<br>Water | 2004<br>Fresh<br>Water | 2005<br>Fresh<br>Water | Fund<br>Total       |
|------------------------|------------------------|------------------------|------------------------|---------------------|
| (12,807)               | (18,680)               | (32,059)               | (11,435)               | (116,167)           |
| <u>(12,807)</u>        | <u>(18,680)</u>        | <u>(32,059)</u>        | <u>(11,435)</u>        | <u>(116,167)</u>    |
| 1,896,467              | 814,712,668            | 50,218,683             | -                      | 932,061,442         |
| (1,896,467)            | (808,878,668)          | (3,607,403)            | -                      | (875,272,152)       |
| 277,093                | 665,309                | 3,266,081              | 13,757                 | 7,102,058           |
| 1,150,471              | 2,945,318              | 362,219                | -                      | 23,148,501          |
| 743,813                | 6,145,382              | 664,788                | -                      | 28,238,532          |
| (693,234)              | (8,855,163)            | (60,525,751)           | -                      | (77,474,056)        |
| <u>1,478,143</u>       | <u>6,734,846</u>       | <u>(9,621,383)</u>     | <u>13,757</u>          | <u>37,804,325</u>   |
| (3,303,825)            | (2,891,868)            | (7,102,057)            | (3,658,333)            | (20,159,198)        |
| -                      | -                      | -                      | 119,522,341            | 119,522,341         |
| -                      | -                      | -                      | (892,447)              | (892,447)           |
| (665,000)              | (3,295,000)            | (2,130,000)            | (120,759,330)          | (135,884,330)       |
| <u>2,069,661</u>       | <u>(275,720)</u>       | <u>8,518,486</u>       | <u>5,797,745</u>       | <u>(3,706,151)</u>  |
| <u>(1,899,164)</u>     | <u>(6,462,588)</u>     | <u>(713,571)</u>       | <u>9,976</u>           | <u>(41,119,785)</u> |
| (433,828)              | 253,578                | (10,367,013)           | 12,298                 | (3,431,627)         |
| 5,176,666              | 1,821,473              | 10,584,159             | -                      | 69,978,660          |
| <u>4,742,838</u>       | <u>2,075,051</u>       | <u>217,146</u>         | <u>12,298</u>          | <u>66,547,033</u>   |
| (2,104,330)            | 1,744,326              | (2,025,291)            | (3,862,487)            | 11,690,441          |
| (225,082)              | (614,543)              | (3,154,650)            | (13,796)               | (6,987,822)         |
| 22,069                 | 6,828                  | (21)                   | -                      | 162,168             |
| 3,394,720              | 3,070,188              | 6,806,774              | 3,822,350              | 20,834,354          |
| (1,151,312)            | (4,259,307)            | (1,696,348)            | -                      | (26,173,477)        |
| 51,128                 | 33,828                 | 37,477                 | 42,498                 | 358,169             |
| <u>(12,807)</u>        | <u>(18,680)</u>        | <u>(32,059)</u>        | <u>(11,435)</u>        | <u>(116,167)</u>    |

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**OHIO WATER DEVELOPMENT AUTHORITY  
REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusteed Fund     |                     |               |
|---|-------------------|---------------------|---------------|
|   | 1985<br>Refunding | 1992<br>Clean Water | Fund<br>Total |
| <u>Assets</u>                           |                   |                     |               |
| Noncurrent assets:                      |                   |                     |               |
| Restricted bond covenant assets:        |                   |                     |               |
| Cash and cash equivalents               | \$ -              | 1,247,380           | 1,247,380     |
| Investments                             | -                 | 1,662               | 1,662         |
| Loan receivables                        | 13,919,581        | -                   | 13,919,581    |
| Total assets                            | 13,919,581        | 1,249,042           | 15,168,623    |
| <br><u>Net Assets</u>                   |                   |                     |               |
| Restricted for debt and grant covenants | 13,919,581        | 1,249,042           | 15,168,623    |
| Unrestricted                            | -                 | -                   | -             |
| Total net assets                        | 13,919,581        | 1,249,042           | 15,168,623    |
| Total liabilities and net assets        | \$ 13,919,581     | 1,249,042           | 15,168,623    |

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

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

Year ended December 31, 2005

|                                 | Trusteed Fund     |                     |               |
|---------------------------------|-------------------|---------------------|---------------|
|                                 | 1985<br>Refunding | 1992<br>Clean Water | Fund<br>Total |
| Operating revenues:             |                   |                     |               |
| Loan income                     | \$ 914,779        | -                   | 914,779       |
| Investment income               | -                 | 107,562             | 107,562       |
| Total operating revenues        | 914,779           | 107,562             | 1,022,341     |
| Operating expenses:             |                   |                     |               |
| Other                           | 8,099             | 3,754               | 11,853        |
| Total operating expenses        | 8,099             | 3,754               | 11,853        |
| Operating income                | 906,680           | 103,808             | 1,010,488     |
| Transfers in (out), net         | (4,622,201)       | (567,450)           | (5,189,651)   |
| Change in net assets            | (3,715,521)       | (463,642)           | (4,179,163)   |
| Net assets at beginning of year | 17,635,102        | 1,712,684           | 19,347,786    |
| Net assets at end of year       | \$ 13,919,581     | 1,249,042           | 15,168,623    |

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund     |                     |               |
|---|-------------------|---------------------|---------------|
|   | 1985<br>Refunding | 1992<br>Clean Water | Fund<br>Total |
| Operating activities:   |                   |                     |               |
| Operating expenses  | \$ -              | (3,754)             | (3,754)       |
| Net cash (used) by operating activities   | -                 | (3,754)             | (3,754)       |
| Investing activities:   |                   |                     |               |
| Interest received on investments, net of purchased interest                           | 14                | 107,789             | 107,803       |
| Interest received on projects   | -                 | 1,136,821           | 1,136,821     |
| Principal collected on projects   | -                 | 3,795,002           | 3,795,002     |
| Net cash provided by investing activities   | 14                | 5,039,612           | 5,039,626     |
| Noncapital financing activities:  |                   |                     |               |
| Transfers (to) from other funds   | (14)              | (5,499,271)         | (5,499,285)   |
| Net cash (used) by noncapital financing activities                                    | (14)              | (5,499,271)         | (5,499,285)   |
| Net (decrease) in cash and cash equivalents   | -                 | (463,413)           | (463,413)     |
| Cash and cash equivalents at beginning of year  | -                 | 1,710,793           | 1,710,793     |
| Cash and cash equivalents at end of year  | \$ -              | 1,247,380           | 1,247,380     |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                   |                     |               |
| Operating income  | 906,680           | 103,808             | 1,010,488     |
| Adjustments:  |                   |                     |               |
| Investment income   | -                 | (107,562)           | (107,562)     |
| Operating expenses  | 8,099             | -                   | 8,099         |
| Loan income   | (914,779)         | -                   | (914,779)     |
| Net cash (used) by operating activities   | \$ -              | (3,754)             | (3,754)       |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**SAFE WATER REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusteed Fund |                    |
|---|---------------|--------------------|
|   | Safe Water    | 1992<br>Safe Water |
| <u>Assets</u>   |               |                    |
| Noncurrent assets:  |               |                    |
| Restricted bond covenant assets:                            |               |                    |
| Cash and cash equivalents                                   | \$ -          | 3,121,522          |
| Investments   | 1             | 3,273,182          |
| Loan receivables  | 61,400,997    | -                  |
| Total restricted assets                                     | 61,400,998    | 6,394,704          |
| Other receivables   | -             | -                  |
| Deferred bond issuance expense                              | 163,528       | -                  |
| Total assets  | \$ 61,564,526 | 6,394,704          |
| <u>Liabilities</u>  |               |                    |
| Current liabilities payable from restricted assets:         |               |                    |
| Accrued interest  | -             | -                  |
| Water Development Revenue Refunding Bonds:                  |               |                    |
| 1997 Safe Water Series                                      | 17,335,000    | -                  |
| Total current liabilities payable from<br>restricted assets | 17,335,000    | -                  |
| Noncurrent liabilities:                                     |               |                    |
| Water Development Revenue Refunding Bonds:                  |               |                    |
| 1997 Safe Water Series, net of<br>premium and deferred loss | 13,797,759    | -                  |
| Total noncurrent liabilities                                | 13,797,759    | -                  |
| Total liabilities   | 31,132,759    | -                  |
| <u>Net Assets</u>   |               |                    |
| Restricted for debt and grant covenants                     | 30,431,767    | 6,394,704          |
| Unrestricted  | -             | -                  |
| Total net assets  | 30,431,767    | 6,394,704          |
| Total liabilities and net assets                            | \$ 61,564,526 | 6,394,704          |

Trusted Fund

| <u>1997<br/>Safe Water</u> | <u>Fund<br/>Total</u> |
|----------------------------|-----------------------|
| 8,292,071                  | 11,413,593            |
| 9,851,621                  | 13,124,804            |
| -                          | 61,400,997            |
| <u>18,143,692</u>          | <u>85,939,394</u>     |
| 249,305                    | 249,305               |
| -                          | 163,528               |
| <u>18,392,997</u>          | <u>86,352,227</u>     |
| 154,284                    | 154,284               |
| -                          | <u>17,335,000</u>     |
| 154,284                    | 17,489,284            |
| -                          | <u>13,797,759</u>     |
| -                          | 13,797,759            |
| <u>154,284</u>             | <u>31,287,043</u>     |
| 18,238,713                 | 55,065,184            |
| -                          | -                     |
| <u>18,238,713</u>          | <u>55,065,184</u>     |
| <u>18,392,997</u>          | <u>86,352,227</u>     |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**SAFE WATER REFUNDING FUND**

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

Year ended December 31, 2005

|  | Trusteed Fund       |                    |                    |
|--|---------------------|--------------------|--------------------|
|  | Safe Water          | 1987<br>Safe Water | 1992<br>Safe Water |
|  | Operating revenues: |                    |                    |
| Loan income                            | \$ 7,703,625        | -                  | -                  |
| Investment income                      | -                   | 6,360              | 231,537            |
| Total operating revenues               | 7,703,625           | 6,360              | 231,537            |
| Operating expenses:                    |                     |                    |                    |
| Interest on bonds                      | 288,152             | -                  | 172,629            |
| Amortization of bond issuance expense  | 186,348             | -                  | -                  |
| Other                                  | 3,103,276           | -                  | 1,698              |
| Total operating expenses               | 3,577,776           | -                  | 174,327            |
| Operating income (loss)                | 4,125,849           | 6,360              | 57,210             |
| Nonoperating other revenues (expenses) | -                   | -                  | -                  |
| Income (loss) before transfers         | 4,125,849           | 6,360              | 57,210             |
| Transfers in (out), net                | (3,627,366)         | (289,505)          | (1,964,112)        |
| Change in net assets                   | 498,483             | (283,145)          | (1,906,902)        |
| Net assets at beginning of year        | 29,933,284          | 283,145            | 8,301,606          |
| Net assets at end of year              | \$ 30,431,767       | -                  | 6,394,704          |

Trusted Fund

| <u>1997</u><br><u>Safe Water</u> | <u>Fund</u><br><u>Total</u> |
|----------------------------------|-----------------------------|
| -                                | 7,703,625                   |
| 424,101                          | 661,998                     |
| <u>424,101</u>                   | <u>8,365,623</u>            |
| 2,319,983                        | 2,780,764                   |
| -                                | 186,348                     |
| 7,803                            | 3,112,777                   |
| <u>2,327,786</u>                 | <u>6,079,889</u>            |
| <u>(1,903,685)</u>               | <u>2,285,734</u>            |
| 167,692                          | 167,692                     |
| <u>(1,735,993)</u>               | <u>2,453,426</u>            |
| 4,144,980                        | (1,736,003)                 |
| <u>2,408,987</u>                 | <u>717,423</u>              |
| <u>15,829,726</u>                | <u>54,347,761</u>           |
| <u>18,238,713</u>                | <u>55,065,184</u>           |

**OHIO WATER DEVELOPMENT AUTHORITY**  
**SAFE WATER REFUNDING FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund |                    |                    |
|---|---------------|--------------------|--------------------|
|   | Safe Water    | 1987<br>Safe Water | 1992<br>Safe Water |
| Operating activities:   |               |                    |                    |
| Operating expenses  | \$ -          | -                  | (1,698)            |
| Net cash (used) by operating activities   | -             | -                  | (1,698)            |
| Investing activities:   |               |                    |                    |
| Purchase of investments   | -             | -                  | (3,260,675)        |
| Interest received on investments, net of purchased interest                           | -             | 6,736              | 228,483            |
| Interest received on projects   | -             | -                  | 1,167,299          |
| Principal collected on projects   | -             | -                  | 3,610,678          |
| Net cash provided by investing activities   | -             | 6,736              | 1,745,785          |
| Noncapital financing activities:  |               |                    |                    |
| Redemption of bonds   | -             | -                  | (2,118,076)        |
| Interest paid on bonds, net of purchased interest                                     | -             | -                  | (2,431,924)        |
| Transfers (to) from other funds   | -             | (289,505)          | (2,364,719)        |
| Net cash (used) by noncapital financing activities                                    | -             | (289,505)          | (6,914,719)        |
| Net increase in cash and cash equivalents   | -             | (282,769)          | (5,170,632)        |
| Cash and cash equivalents at beginning of year  | -             | 282,769            | 8,292,154          |
| Cash and cash equivalents at end of year  | \$ -          | -                  | 3,121,522          |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |               |                    |                    |
| Operating income (loss)   | 4,125,849     | 6,360              | 57,210             |
| Adjustments:  |               |                    |                    |
| Investment income   | -             | (6,360)            | (231,537)          |
| Operating expense   | 3,103,276     | -                  | -                  |
| Interest on bonds   | 288,152       | -                  | 172,629            |
| Loan income   | (7,703,625)   | -                  | -                  |
| Amortization of bond issuance expense   | 186,348       | -                  | -                  |
| Net cash (used) by operating activities   | \$ -          | -                  | (1,698)            |

Trusted Fund

| 1997<br>Safe Water | Fund<br>Total |
|--------------------|---------------|
| (7,803)            | (9,501)       |
| (7,803)            | (9,501)       |
| (9,838,837)        | (13,099,512)  |
| 426,601            | 661,820       |
| 4,069,384          | 5,236,683     |
| 12,587,374         | 16,198,052    |
| 7,244,522          | 8,997,043     |
| (13,430,000)       | (15,548,076)  |
| (2,376,050)        | (4,807,974)   |
| 918,222            | (1,736,002)   |
| (14,887,828)       | (22,092,052)  |
| (7,651,109)        | (13,104,510)  |
| 15,943,180         | 24,518,103    |
| 8,292,071          | 11,413,593    |
| (1,903,685)        | 2,285,734     |
| (424,101)          | (661,998)     |
| -                  | 3,103,276     |
| 2,319,983          | 2,780,764     |
| -                  | (7,703,625)   |
| -                  | 186,348       |
| (7,803)            | (9,501)       |
| (7,803)            | (9,501)       |

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

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusteed Fund                   |                                  |                                  |
|---|---------------------------------|----------------------------------|----------------------------------|
|   | 1992<br>Pure Water<br>Refunding | 2002A<br>Pure Water<br>Refunding | 2002B<br>Pure Water<br>Refunding |
| <u>Assets</u>   |                                 |                                  |                                  |
| Noncurrent assets:  |                                 |                                  |                                  |
| Restricted bond covenant assets:  |                                 |                                  |                                  |
| Cash and cash equivalents   | \$ 40,784,473                   | 42,293                           | 7,884                            |
| Investments   | 35,423,161                      | 110                              | 20                               |
| Loan receivables  | 212,859,604                     | -                                | -                                |
| Total restricted assets   | 289,067,238                     | 42,403                           | 7,904                            |
| Deferred bond issuance expense  | 1,730,422                       | -                                | -                                |
| Due from other funds  | 9,427                           | -                                | -                                |
| Total assets  | \$ 290,807,087                  | 42,403                           | 7,904                            |
| <br><u>Liabilities</u>  |                                 |                                  |                                  |
| Current liabilities payable from restricted assets:   |                                 |                                  |                                  |
| Accrued interest  | 117,619                         | 147,475                          | 409,383                          |
| Accounts payable  | 200,000                         | -                                | -                                |
| Water Development Revenue Refunding Bonds:  |                                 |                                  |                                  |
| Pure Water Refunding Series 1992 & 2002A  | 37,375,000                      | -                                | -                                |
| Total current liabilities payable from<br>restricted assets                                 | 37,692,619                      | 147,475                          | 409,383                          |
| Noncurrent liabilities:   |                                 |                                  |                                  |
| Water Development Revenue Refunding Bonds:  |                                 |                                  |                                  |
| Pure Water Refunding Series 1992 & 2002A&B, net of<br>discount, premium and deferred losses | 127,932,147                     | -                                | -                                |
| Total noncurrent liabilities  | 127,932,147                     | -                                | -                                |
| Total liabilities   | 165,624,766                     | 147,475                          | 409,383                          |
| <br><u>Net Assets</u>   |                                 |                                  |                                  |
| Restricted for debt and grant covenants   | 116,132,674                     | (105,072)                        | (401,479)                        |
| Unrestricted  | 9,049,647                       | -                                | -                                |
| Total net assets  | 125,182,321                     | (105,072)                        | (401,479)                        |
| Total liabilities and net assets  | \$ 290,807,087                  | 42,403                           | 7,904                            |

Trusted Fund

Fund  
Total

40,834,650  
35,423,291  
212,859,604  
289,117,545

1,730,422  
9,427  
290,857,394

674,477  
200,000

37,375,000

38,249,477

127,932,147  
127,932,147

166,181,624

115,626,123  
9,049,647  
124,675,770  
290,857,394

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

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

Year ended December 31, 2005

|                                       | Trusteed Fund                   |                                  |                                  |
|---------------------------------------|---------------------------------|----------------------------------|----------------------------------|
|                                       | 1992<br>Pure Water<br>Refunding | 2002A<br>Pure Water<br>Refunding | 2002B<br>Pure Water<br>Refunding |
| Operating revenues:                   |                                 |                                  |                                  |
| Loan income                           | \$ 17,657,991                   | -                                | -                                |
| Investment income                     | 1,917,349                       | 74,031                           | 13,246                           |
| Total operating revenues              | 19,575,340                      | 74,031                           | 13,246                           |
| Operating expenses:                   |                                 |                                  |                                  |
| Interest on bonds                     | 3,102,275                       | 2,541,721                        | 4,913,998                        |
| Amortization of bond issuance expense | 535,536                         | -                                | -                                |
| Other                                 | 2,866,573                       | 65                               | 34                               |
| Total operating expenses              | 6,504,384                       | 2,541,786                        | 4,914,032                        |
| Operating income (loss)               | 13,070,956                      | (2,467,755)                      | (4,900,786)                      |
| Transfers in, net                     | 7,141,584                       | 2,585,035                        | 4,905,032                        |
| Change in net assets                  | 20,212,540                      | 117,280                          | 4,246                            |
| Net assets at beginning of year       | 104,969,781                     | (222,352)                        | (405,725)                        |
| Net assets at end of year             | \$ 125,182,321                  | (105,072)                        | (401,479)                        |

Trusted Fund

| <u>Fund</u>        | <u>Total</u> |
|--------------------|--------------|
| 17,657,991         | 2,004,626    |
| <u>19,662,617</u>  |              |
| 10,557,994         | 535,536      |
| <u>2,866,672</u>   |              |
| <u>13,960,202</u>  |              |
| <u>5,702,415</u>   |              |
| <u>14,631,651</u>  |              |
| <u>20,334,066</u>  |              |
| <u>104,341,704</u> |              |
| <u>124,675,770</u> |              |

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|  | Trusteed Fund                   |                                  |                                  |
|--|---------------------------------|----------------------------------|----------------------------------|
|  | 1992<br>Pure Water<br>Refunding | 2002A<br>Pure Water<br>Refunding | 2002B<br>Pure Water<br>Refunding |
| Operating activities:  |                                 |                                  |                                  |
| Operating expenses   | \$ (320,804)                    | (65)                             | (34)                             |
| Net cash (used) by operating activities  | (320,804)                       | (65)                             | (34)                             |
| Investing activities:  |                                 |                                  |                                  |
| Proceeds from maturity or sale of investments  | 209,167,583                     | 51,887,400                       | 9,771,100                        |
| Purchase of investments  | (192,717,767)                   | (51,887,400)                     | (9,771,100)                      |
| Interest received on investments, net of purchased interest                              | 2,444,881                       | 73,940                           | 13,231                           |
| Interest received on projects  | 16,062,458                      | -                                | -                                |
| Principal collected on projects  | 26,901,584                      | -                                | -                                |
| Payment for construction of projects   | (491,073)                       | -                                | -                                |
| Net cash provided by investing activities  | 61,367,666                      | 73,940                           | 13,231                           |
| Noncapital financing activities:   |                                 |                                  |                                  |
| Interest paid on bonds, net of purchased interest  | (2,227,375)                     | (2,637,075)                      | (4,914,116)                      |
| Redemption of bonds  | (15,810,000)                    | (23,345,000)                     | -                                |
| Other  | (322,600)                       | -                                | -                                |
| Transfers (to) from other funds  | (16,203,416)                    | 25,930,035                       | 4,905,031                        |
| Net cash (used) by noncapital financing activities                                       | (34,563,391)                    | (52,040)                         | (9,085)                          |
| Net increase (decrease) in cash and cash equivalents                                     | 26,483,471                      | 21,835                           | 4,112                            |
| Cash and cash equivalents at beginning of year   | 14,301,002                      | 20,458                           | 3,772                            |
| Cash and cash equivalents at end of year   | \$ 40,784,473                   | 42,293                           | 7,884                            |
| Reconciliation of operating income (loss) to<br>net cash (used) by operating activities: |                                 |                                  |                                  |
| Operating income (loss)  | 13,070,956                      | (2,467,755)                      | (4,900,786)                      |
| Adjustments:   |                                 |                                  |                                  |
| Investment income  | (1,917,349)                     | (74,031)                         | (13,246)                         |
| Operating expense  | 2,545,769                       | -                                | -                                |
| Interest on bonds  | 3,102,275                       | 2,541,721                        | 4,913,998                        |
| Loan income  | (17,657,991)                    | -                                | -                                |
| Amortization of bond issuance expense  | 535,536                         | -                                | -                                |
| Net cash (used) by operating activities  | \$ (320,804)                    | (65)                             | (34)                             |

Trusted Fund

| <u>Fund</u>              |
|--------------------------|
| <u>Total</u>             |
| (320,903)                |
| <u>(320,903)</u>         |
| 270,826,083              |
| (254,376,267)            |
| 2,532,052                |
| 16,062,458               |
| 26,901,584               |
| <u>(491,073)</u>         |
| 61,454,837               |
| (9,778,566)              |
| (39,155,000)             |
| (322,600)                |
| 14,631,650               |
| <u>(34,624,516)</u>      |
| 26,509,418               |
| <u>14,325,232</u>        |
| <u><u>40,834,650</u></u> |

|                         |
|-------------------------|
| 5,702,415               |
| (2,004,626)             |
| 2,545,769               |
| 10,557,994              |
| (17,657,991)            |
| 535,536                 |
| <u>(320,903)</u>        |
| <u><u>(320,903)</u></u> |

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

Schedule of Combining Balance Sheets

December 31, 2005

|  | Trusteed Fund                      |                                      |                                      |
|--|------------------------------------|--------------------------------------|--------------------------------------|
|  | Water<br>Pollution<br>Control Loan | 1991<br>State Match<br>Bond Proceeds | 1993<br>State Match<br>Bond Proceeds |
| <u>Assets</u>  |                                    |                                      |                                      |
| Noncurrent assets:   |                                    |                                      |                                      |
| Restricted bond and note covenant assets:  |                                    |                                      |                                      |
| Cash and cash equivalents  | \$ 29,012,679                      | 746,792                              | 805,140                              |
| Investments  | 252,913,302                        | 2,317                                | 1,994,059                            |
| Loan receivables   | 1,956,384,912                      | -                                    | -                                    |
| Total restricted assets  | 2,238,310,893                      | 749,109                              | 2,799,199                            |
| Other receivables  | -                                  | -                                    | -                                    |
| Deferred bond issuance and other expense   | 22,858,890                         | -                                    | -                                    |
| Due from other funds   | 524                                | -                                    | -                                    |
| Total assets   | \$ 2,261,170,307                   | 749,109                              | 2,799,199                            |
| <br><u>Liabilities</u>   |                                    |                                      |                                      |
| Current liabilities payable from restricted assets:                                |                                    |                                      |                                      |
| Due to other funds   | 524                                | -                                    | -                                    |
| Accrued interest   | -                                  | -                                    | -                                    |
| Accounts payable   | 47,745,004                         | -                                    | -                                    |
| Water Pollution Control Loan Fund Revenue Bonds:                                   |                                    |                                      |                                      |
| State Match Series 1995 - 2005   | -                                  | -                                    | -                                    |
| Water Quality Series 1997 - 2005   | -                                  | -                                    | -                                    |
| Total current liabilities payable from<br>restricted assets                        | 47,745,528                         | -                                    | -                                    |
| Noncurrent liabilities:  |                                    |                                      |                                      |
| Water Pollution Control Loan Fund Revenue Bonds:                                   |                                    |                                      |                                      |
| State Match Series 1995 - 2005,<br>net of premiums and deferred loss               | -                                  | -                                    | -                                    |
| Water Quality Series 1997 - 2005,<br>net of discount, premiums and deferred losses | -                                  | -                                    | -                                    |
| Total noncurrent liabilities   | -                                  | -                                    | -                                    |
| Total liabilities  | 47,745,528                         | -                                    | -                                    |
| <br><u>Net Assets</u>  |                                    |                                      |                                      |
| Restricted for debt and grant covenants  | 2,213,424,779                      | 749,109                              | 2,799,199                            |
| Unrestricted   | -                                  | -                                    | -                                    |
| Total net assets   | 2,213,424,779                      | 749,109                              | 2,799,199                            |
| Total liabilities and net assets   | \$ 2,261,170,307                   | 749,109                              | 2,799,199                            |

Trusteed Fund

| 1995<br>State Match<br>Bond Proceeds | 2000<br>State Match<br>Bond Proceeds | 2001<br>State Match<br>Bond Proceeds | 2005<br>State Match<br>Bond Proceeds | 1995<br>Water Quality<br>Bond Proceeds | 1997<br>Water Quality<br>Bond Proceeds | 2001<br>Water Quality<br>Note Proceeds |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|--|--|
| 399,499                              | 4,524,548                            | 171,139                              | 27,054                               | 2,845,937                              | 15,907,428                             | 7,964,488                              |
| 5,235,023                            | 3,503,182                            | 2,987,699                            | 86                                   | 9,745                                  | 10,006,922                             | 27,281                                 |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| <u>5,634,522</u>                     | <u>8,027,730</u>                     | <u>3,158,838</u>                     | <u>27,140</u>                        | <u>2,855,682</u>                       | <u>25,914,350</u>                      | <u>7,991,769</u>                       |
| -                                    | 162,699                              | -                                    | -                                    | 214,813                                | 2,843,687                              | -                                      |
| 90,372                               | 349,285                              | 294,993                              | 150,953                              | -                                      | 359,749                                | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| <u>5,724,894</u>                     | <u>8,539,714</u>                     | <u>3,453,831</u>                     | <u>178,093</u>                       | <u>3,070,495</u>                       | <u>29,117,786</u>                      | <u>7,991,769</u>                       |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 22,881                               | 138,288                              | 177,171                              | 73,225                               | -                                      | 191,295                                | -                                      |
| 23,806                               | -                                    | -                                    | -                                    | -                                      | -                                      | 95,758                                 |
| 5,276,183                            | 6,275,000                            | 4,545,000                            | 50,000                               | -                                      | -                                      | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | 7,850,000                              | -                                      |
| <u>5,322,870</u>                     | <u>6,413,288</u>                     | <u>4,722,171</u>                     | <u>123,225</u>                       | <u>-</u>                               | <u>8,041,295</u>                       | <u>95,758</u>                          |
| -                                    | 24,732,559                           | 37,777,099                           | 18,698,886                           | -                                      | -                                      | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | 36,986,428                             | -                                      |
| -                                    | <u>24,732,559</u>                    | <u>37,777,099</u>                    | <u>18,698,886</u>                    | <u>-</u>                               | <u>36,986,428</u>                      | <u>-</u>                               |
| <u>5,322,870</u>                     | <u>31,145,847</u>                    | <u>42,499,270</u>                    | <u>18,822,111</u>                    | <u>-</u>                               | <u>45,027,723</u>                      | <u>95,758</u>                          |
| 402,024                              | (22,606,133)                         | (39,045,439)                         | (18,644,018)                         | 3,070,495                              | (15,909,937)                           | 7,896,011                              |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| <u>402,024</u>                       | <u>(22,606,133)</u>                  | <u>(39,045,439)</u>                  | <u>(18,644,018)</u>                  | <u>3,070,495</u>                       | <u>(15,909,937)</u>                    | <u>7,896,011</u>                       |
| <u>5,724,894</u>                     | <u>8,539,714</u>                     | <u>3,453,831</u>                     | <u>178,093</u>                       | <u>3,070,495</u>                       | <u>29,117,786</u>                      | <u>7,991,769</u>                       |

(Continued)

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

Schedule of Combining Balance Sheets, Continued

December 31, 2005

|  | Trusted Fund                   |                                |                                |
|--|--------------------------------|--------------------------------|--------------------------------|
|  | 2002                           | 2003                           | 2004                           |
|  | Water Quality<br>Bond Proceeds | Water Quality<br>Bond Proceeds | Water Quality<br>Bond Proceeds |
| <u>Assets</u>  |                                |                                |                                |
| Noncurrent assets:   |                                |                                |                                |
| Restricted bond and note covenant assets:  |                                |                                |                                |
| Cash and cash equivalents  | \$ 36,974,974                  | 220,870                        | 852,991                        |
| Investments  | 6,400,987                      | 11,024,977                     | 321,324,730                    |
| Loan receivables   | -                              | -                              | -                              |
| Total restricted assets  | 43,375,961                     | 11,245,847                     | 322,177,721                    |
| Other receivables  | -                              | -                              | -                              |
| Deferred bond issuance and other expense   | 199,688                        | 958,092                        | 3,193,602                      |
| Due from other funds   | -                              | -                              | -                              |
| Total assets   | \$ 43,575,649                  | 12,203,939                     | 325,371,323                    |
| <u>Liabilities</u>   |                                |                                |                                |
| Current liabilities payable from restricted assets:                                |                                |                                |                                |
| Due to other funds   | -                              | -                              | -                              |
| Accrued interest   | 120,362                        | 631,793                        | 2,015,668                      |
| Accounts payable   | -                              | -                              | -                              |
| Water Pollution Control Loan Fund Revenue Bonds:                                   |                                |                                |                                |
| State Match Series 1995 - 2005   | -                              | -                              | -                              |
| Water Quality Series 1997 - 2005   | 995,000                        | 11,660,000                     | 12,955,000                     |
| Total current liabilities payable from restricted assets                           | 1,115,362                      | 12,291,793                     | 14,970,668                     |
| Noncurrent liabilities:  |                                |                                |                                |
| Water Pollution Control Loan Fund Revenue Bonds:                                   |                                |                                |                                |
| State Match Series 1995 - 2005,<br>net of premiums and deferred loss               | -                              | -                              | -                              |
| Water Quality Series 1997 - 2005,<br>net of discount, premiums and deferred losses | 30,192,693                     | 143,806,242                    | 523,304,447                    |
| Total noncurrent liabilities   | 30,192,693                     | 143,806,242                    | 523,304,447                    |
| Total liabilities  | 31,308,055                     | 156,098,035                    | 538,275,115                    |
| <u>Net Assets</u>  |                                |                                |                                |
| Restricted for debt and grant covenants  | 12,267,594                     | (143,894,096)                  | (212,903,792)                  |
| Unrestricted   | -                              | -                              | -                              |
| Total net assets   | 12,267,594                     | (143,894,096)                  | (212,903,792)                  |
| Total liabilities and net assets   | \$ 43,575,649                  | 12,203,939                     | 325,371,323                    |

Trusteed Fund

| 2004<br>Water Quality<br>Rev Ref<br>Bond Proceeds | 2005<br>Water Quality<br>Bond Proceeds | 2005<br>Water Quality<br>Rev Ref<br>Bond Proceeds | Fund<br>Total        |
|---|--|---|----------------------|
| 45,801  | 50,918,834                             | 145,448   | 151,563,622          |
| 145   | 412,376,150                            | 460   | 1,027,807,065        |
| -   | -                                      | -   | 1,956,384,912        |
| <u>45,946</u>                                     | <u>463,294,984</u>                     | <u>145,908</u>                                    | <u>3,135,755,599</u> |
| -   | -                                      | -   | 3,221,199            |
| 420,030   | 3,268,286                              | 1,712,783   | 33,856,723           |
| -   | -                                      | -   | 524                  |
| <u>465,976</u>                                    | <u>466,563,270</u>                     | <u>1,858,691</u>                                  | <u>3,172,834,045</u> |
| -   | -                                      | -   | 524                  |
| 265,229   | 1,462,962                              | 950,466   | 6,049,340            |
| 5,000   | -                                      | -   | 47,869,568           |
| -   | -                                      | -   | 16,146,183           |
| <u>-</u>  | <u>-</u>                               | <u>-</u>  | <u>33,460,000</u>    |
| 270,229   | 1,462,962                              | 950,466   | 103,525,615          |
| -   | -                                      | -   | 81,208,544           |
| <u>65,966,094</u>                                 | <u>469,622,718</u>                     | <u>229,415,982</u>                                | <u>1,499,294,604</u> |
| 65,966,094  | 469,622,718                            | 229,415,982                                       | 1,580,503,148        |
| <u>66,236,323</u>                                 | <u>471,085,680</u>                     | <u>230,366,448</u>                                | <u>1,684,028,763</u> |
| (65,770,347)                                      | (4,522,410)                            | (228,507,757)                                     | 1,488,805,282        |
| -   | -                                      | -   | -                    |
| <u>(65,770,347)</u>                               | <u>(4,522,410)</u>                     | <u>(228,507,757)</u>                              | <u>1,488,805,282</u> |
| <u>465,976</u>                                    | <u>466,563,270</u>                     | <u>1,858,691</u>                                  | <u>3,172,834,045</u> |

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

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

Year ended December 31, 2005

|  | Trusteed Fund                      |                                      |                                      |
|--|------------------------------------|--------------------------------------|--------------------------------------|
|  | Water<br>Pollution<br>Control Loan | 1991<br>State Match<br>Bond Proceeds | 1993<br>State Match<br>Bond Proceeds |
| Operating revenues:                              |                                    |                                      |                                      |
| Loan income                                      | \$ 63,621,341                      | -                                    | -                                    |
| Investment income                                | 7,606,808                          | 20,931                               | 66,246                               |
| Total operating revenues                         | <u>71,228,149</u>                  | <u>20,931</u>                        | <u>66,246</u>                        |
| Operating expenses:                              |                                    |                                      |                                      |
| Interest on bonds                                | -                                  | -                                    | -                                    |
| Amortization of bond issuance expense            | -                                  | -                                    | -                                    |
| Other  | 4,092,101                          | -                                    | -                                    |
| Total operating expenses                         | <u>4,092,101</u>                   | <u>-</u>                             | <u>-</u>                             |
| Operating income (loss)                          | <u>67,136,048</u>                  | <u>20,931</u>                        | <u>66,246</u>                        |
| Nonoperating other revenues (expenses)           | -                                  | -                                    | -                                    |
| Income (loss) before contributions and transfers | <u>67,136,048</u>                  | <u>20,931</u>                        | <u>66,246</u>                        |
| Contribution from U.S. EPA                       | 77,321,215                         | -                                    | -                                    |
| Transfers in (out), net                          | 133,075,172                        | (325,295)                            | (774,414)                            |
| Change in net assets                             | <u>277,532,435</u>                 | <u>(304,364)</u>                     | <u>(708,168)</u>                     |
| Net assets at beginning of year                  | <u>1,935,892,344</u>               | <u>1,053,473</u>                     | <u>3,507,367</u>                     |
| Net assets at end of year                        | <u>\$ 2,213,424,779</u>            | <u>749,109</u>                       | <u>2,799,199</u>                     |

Trusteed Fund

| 1995<br>State Match<br>Bond Proceeds | 2000<br>State Match<br>Bond Proceeds | 2001<br>State Match<br>Bond Proceeds | 2005<br>State Match<br>Bond Proceeds | 1995<br>Water Quality<br>Bond Proceeds | 1997<br>Water Quality<br>Bond Proceeds | 2001<br>Water Quality<br>Note Proceeds |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|--|--|
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 278,234                              | 309,078                              | 125,691                              | 5,772                                | 457,567                                | 1,187,544                              | 325,939                                |
| <u>278,234</u>                       | <u>309,078</u>                       | <u>125,691</u>                       | <u>5,772</u>                         | <u>457,567</u>                         | <u>1,187,544</u>                       | <u>325,939</u>                         |
| 577,643                              | 2,075,779                            | 2,118,041                            | 471,251                              | 97,226                                 | 3,335,044                              | -                                      |
| 84,730                               | 40,530                               | 26,818                               | 4,717                                | 39,468                                 | 79,944                                 | -                                      |
| 164                                  | 8,296                                | -                                    | 2,867                                | 15,016                                 | 24,739                                 | 3,830                                  |
| <u>662,537</u>                       | <u>2,124,605</u>                     | <u>2,144,859</u>                     | <u>478,835</u>                       | <u>151,710</u>                         | <u>3,439,727</u>                       | <u>3,830</u>                           |
| <u>(384,303)</u>                     | <u>(1,815,527)</u>                   | <u>(2,019,168)</u>                   | <u>(473,063)</u>                     | <u>305,857</u>                         | <u>(2,252,183)</u>                     | <u>322,109</u>                         |
| 3,160                                | 188,478                              | -                                    | -                                    | 1,000                                  | 16,184                                 | -                                      |
| <u>(381,143)</u>                     | <u>(1,627,049)</u>                   | <u>(2,019,168)</u>                   | <u>(473,063)</u>                     | <u>306,857</u>                         | <u>(2,235,999)</u>                     | <u>322,109</u>                         |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 10,749,649                           | 21,195,197                           | 7,187,191                            | (18,170,955)                         | (7,622,091)                            | 72,887,314                             | (7,967,763)                            |
| <u>10,368,506</u>                    | <u>19,568,148</u>                    | <u>5,168,023</u>                     | <u>(18,644,018)</u>                  | <u>(7,315,234)</u>                     | <u>70,651,315</u>                      | <u>(7,645,654)</u>                     |
| <u>(9,966,482)</u>                   | <u>(42,174,281)</u>                  | <u>(44,213,462)</u>                  | <u>-</u>                             | <u>10,385,729</u>                      | <u>(86,561,252)</u>                    | <u>15,541,665</u>                      |
| <u>402,024</u>                       | <u>(22,606,133)</u>                  | <u>(39,045,439)</u>                  | <u>(18,644,018)</u>                  | <u>3,070,495</u>                       | <u>(15,909,937)</u>                    | <u>7,896,011</u>                       |

(Continued)

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

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

Year ended December 31, 2005

|  | Trusteed Fund                          |  |  |
|--|--|--|--|
|  | 2002<br>Water Quality<br>Bond Proceeds | 2003<br>Water Quality<br>Bond Proceeds | 2004<br>Water Quality<br>Bond Proceeds |
| Operating revenues:                              |  |  |  |
| Loan income                                      | \$ -                                   | -                                      | -                                      |
| Investment income                                | 1,629,355                              | 293,309                                | 9,810,969                              |
| Total operating revenues                         | <u>1,629,355</u>                       | <u>293,309</u>                         | <u>9,810,969</u>                       |
| Operating expenses:                              |  |  |  |
| Interest on bonds                                | 3,713,643                              | 6,481,860                              | 20,253,013                             |
| Amortization of bond issuance expense            | 22,187                                 | 95,809                                 | 163,775                                |
| Other  | 16,353                                 | -                                      | 20,501                                 |
| Total operating expenses                         | <u>3,752,183</u>                       | <u>6,577,669</u>                       | <u>20,437,289</u>                      |
| Operating income (loss)                          | <u>(2,122,828)</u>                     | <u>(6,284,360)</u>                     | <u>(10,626,320)</u>                    |
| Nonoperating other revenues (expenses)           | -                                      | -                                      | -                                      |
| Income (loss) before contributions and transfers | <u>(2,122,828)</u>                     | <u>(6,284,360)</u>                     | <u>(10,626,320)</u>                    |
| Contribution from U.S. EPA                       | -                                      | -                                      | -                                      |
| Transfers in (out), net                          | 148,209,149                            | 24,194,238                             | (161,500,021)                          |
| Change in net assets                             | <u>146,086,321</u>                     | <u>17,909,878</u>                      | <u>(172,126,341)</u>                   |
| Net assets at beginning of year                  | <u>(133,818,727)</u>                   | <u>(161,803,974)</u>                   | <u>(40,777,451)</u>                    |
| Net assets at end of year                        | <u>\$ 12,267,594</u>                   | <u>(143,894,096)</u>                   | <u>(212,903,792)</u>                   |

Trusteed Fund

| 2004                                      | 2005                           |   | Fund                 |
|---|--------------------------------|---|----------------------|
| Water Quality<br>Rev Ref<br>Bond Proceeds | Water Quality<br>Bond Proceeds | Water Quality<br>Rev Ref<br>Bond Proceeds | Total                |
| -   | -                              | -   | 63,621,341           |
| 37,663                                    | 6,309,311                      | 133,387                                   | 28,597,804           |
| <u>37,663</u>                             | <u>6,309,311</u>               | <u>133,387</u>                            | <u>92,219,145</u>    |
| 2,835,565                                 | 7,051,688                      | 7,942,093                                 | 56,952,846           |
| 46,670                                    | 81,707                         | 95,155                                    | 781,510              |
| 21,325                                    | 39,683                         | 416                                       | 4,245,291            |
| <u>2,903,560</u>                          | <u>7,173,078</u>               | <u>8,037,664</u>                          | <u>61,979,647</u>    |
| <u>(2,865,897)</u>                        | <u>(863,767)</u>               | <u>(7,904,277)</u>                        | <u>30,239,498</u>    |
| -   | -                              | -   | 208,822              |
| <u>(2,865,897)</u>                        | <u>(863,767)</u>               | <u>(7,904,277)</u>                        | <u>30,448,320</u>    |
| -   | -                              | -   | 77,321,215           |
| 3,167,404                                 | (3,658,643)                    | (220,603,480)                             | 42,652               |
| <u>301,507</u>                            | <u>(4,522,410)</u>             | <u>(228,507,757)</u>                      | <u>107,812,187</u>   |
| <u>(66,071,854)</u>                       | <u>-</u>                       | <u>-</u>                                  | <u>1,380,993,095</u> |
| <u>(65,770,347)</u>                       | <u>(4,522,410)</u>             | <u>(228,507,757)</u>                      | <u>1,488,805,282</u> |

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|  | Trusteed Fund                      |                                      |                                      |
|--|------------------------------------|--------------------------------------|--------------------------------------|
|  | Water<br>Pollution<br>Control Loan | 1991<br>State Match<br>Bond Proceeds | 1993<br>State Match<br>Bond Proceeds |
| Operating activities:  |                                    |                                      |                                      |
| Operating expenses   | \$ (3,947,888)                     | -                                    | -                                    |
| Net cash (used) by operating activities  | (3,947,888)                        | -                                    | -                                    |
| Investing activities:  |                                    |                                      |                                      |
| Proceeds from maturity or sale of investments  | 9,925,038,485                      | -                                    | 2,000,000                            |
| Purchase of investments  | (9,953,559,094)                    | -                                    | (2,000,000)                          |
| Interest received on investments, net of<br>purchased interest                           | 6,587,991                          | 20,041                               | 94,209                               |
| Interest received on projects  | 57,102,324                         | -                                    | -                                    |
| Principal collected on projects  | 99,508,529                         | -                                    | -                                    |
| Payment for construction of projects   | (336,624,818)                      | -                                    | -                                    |
| Net cash provided (used) by investing activities   | (201,946,583)                      | 20,041                               | 94,209                               |
| Noncapital financing activities:   |                                    |                                      |                                      |
| Interest paid on bonds, net of<br>purchased interest                                     | -                                  | -                                    | -                                    |
| Proceeds of bonds  | -                                  | -                                    | -                                    |
| Bond issuance expense  | -                                  | -                                    | -                                    |
| Redemption of bonds  | -                                  | -                                    | -                                    |
| Contribution from U.S. EPA   | 77,321,215                         | -                                    | -                                    |
| Other  | -                                  | -                                    | -                                    |
| Transfers (to) from other funds  | 133,075,171                        | (325,294)                            | (774,414)                            |
| Net cash provided (used) by noncapital<br>financing activities                           | 210,396,386                        | (325,294)                            | (774,414)                            |
| Net increase (decrease) in cash and<br>cash equivalents                                  | 4,501,915                          | (305,253)                            | (680,205)                            |
| Cash and cash equivalents at<br>beginning of year  | 24,510,764                         | 1,052,045                            | 1,485,345                            |
| Cash and cash equivalents at end of year   | \$ 29,012,679                      | 746,792                              | 805,140                              |
| Reconciliation of operating income (loss) to<br>net cash (used) by operating activities: |                                    |                                      |                                      |
| Operating income (loss)  | 67,136,048                         | 20,931                               | 66,246                               |
| Adjustments:   |                                    |                                      |                                      |
| Investment income  | (7,606,808)                        | (20,931)                             | (66,246)                             |
| Operating expense  | 144,213                            | -                                    | -                                    |
| Interest on bonds  | -                                  | -                                    | -                                    |
| Loan income  | (63,621,341)                       | -                                    | -                                    |
| Amortization of bond issuance expense  | -                                  | -                                    | -                                    |
| Net cash (used) by operating activities  | \$ (3,947,888)                     | -                                    | -                                    |

Trusteed Fund

| 1995<br>State Match<br>Bond Proceeds | 2000<br>State Match<br>Bond Proceeds | 2001<br>State Match<br>Bond Proceeds | 2005<br>State Match<br>Bond Proceeds | 1995<br>Water Quality<br>Bond Proceeds | 1997<br>Water Quality<br>Bond Proceeds | 2001<br>Water Quality<br>Note Proceeds |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|--|--|
| (164)                                | (8,296)                              | -                                    | (2,867)                              | (15,016)                               | (24,739)                               | (3,830)                                |
| (164)                                | (8,296)                              | -                                    | (2,867)                              | (15,016)                               | (24,739)                               | (3,830)                                |
| 5,169,262                            | -                                    | 3,000,000                            | -                                    | 16,594,841                             | 10,516,366                             | -                                      |
| (5,212,107)                          | (3,474,738)                          | (3,000,000)                          | -                                    | (4,798,045)                            | (10,516,366)                           | -                                      |
| 288,500                              | 295,979                              | 168,104                              | 5,685                                | 518,029                                | 1,162,821                              | 324,601                                |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 245,655                              | (3,178,759)                          | 168,104                              | 5,685                                | 12,314,825                             | 1,162,821                              | 324,601                                |
| (674,317)                            | (2,312,359)                          | (2,276,613)                          | (437,282)                            | (150,300)                              | (2,543,018)                            | -                                      |
| -                                    | -                                    | -                                    | 20,300,308                           | -                                      | -                                      | -                                      |
| -                                    | -                                    | -                                    | (155,669)                            | -                                      | -                                      | -                                      |
| (5,525,000)                          | (6,860,000)                          | (4,955,000)                          | (20,145,403)                         | (5,010,000)                            | (6,885,000)                            | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| (248,129)                            | (232,013)                            | -                                    | -                                    | (3,891)                                | -                                      | -                                      |
| 5,867,184                            | 7,444,425                            | 7,187,191                            | 462,282                              | (7,622,091)                            | 7,266,696                              | (7,967,763)                            |
| (580,262)                            | (1,959,947)                          | (44,422)                             | 24,236                               | (12,786,282)                           | (2,161,322)                            | (7,967,763)                            |
| (334,771)                            | (5,147,002)                          | 123,682                              | 27,054                               | (486,473)                              | (1,023,240)                            | (7,646,992)                            |
| 734,270                              | 9,671,550                            | 47,457                               | -                                    | 3,332,410                              | 16,930,668                             | 15,611,480                             |
| 399,499                              | 4,524,548                            | 171,139                              | 27,054                               | 2,845,937                              | 15,907,428                             | 7,964,488                              |
| (384,303)                            | (1,815,527)                          | (2,019,168)                          | (473,063)                            | 305,857                                | (2,252,183)                            | 322,109                                |
| (278,234)                            | (309,078)                            | (125,691)                            | (5,772)                              | (457,567)                              | (1,187,544)                            | (325,939)                              |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 577,643                              | 2,075,779                            | 2,118,041                            | 471,251                              | 97,226                                 | 3,335,044                              | -                                      |
| -                                    | -                                    | -                                    | -                                    | -                                      | -                                      | -                                      |
| 84,730                               | 40,530                               | 26,818                               | 4,717                                | 39,468                                 | 79,944                                 | -                                      |
| (164)                                | (8,296)                              | -                                    | (2,867)                              | (15,016)                               | (24,739)                               | (3,830)                                |

(Continued)

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

Schedule of Combining Statements of Cash Flows, Continued

Year ended December 31, 2005

|  | Trusteed Fund                          |  |  |
|--|--|--|--|
|  | 2002<br>Water Quality<br>Bond Proceeds | 2003<br>Water Quality<br>Bond Proceeds | 2004<br>Water Quality<br>Bond Proceeds |
| Operating activities:  |  |  |  |
| Operating expenses   | \$ (16,353)                            | -                                      | (20,501)                               |
| Net cash (used) by operating activities  | (16,353)                               | -                                      | (20,501)                               |
| Investing activities:  |  |  |  |
| Proceeds from maturity or sale of investments  | 5,998,694                              | 13,244,725                             | 194,929,964                            |
| Purchase of investments  | (5,998,694)                            | (24,223,503)                           | (39,476,540)                           |
| Interest received on investments, net of<br>purchased interest                           | 1,682,628                              | 247,130                                | 10,127,630                             |
| Interest received on projects  | -                                      | -                                      | -                                      |
| Principal collected on projects  | -                                      | -                                      | -                                      |
| Payment for construction of projects   | -                                      | -                                      | -                                      |
| Net cash provided (used) by investing activities   | 1,682,628                              | (10,731,648)                           | 165,581,054                            |
| Noncapital financing activities:   |  |  |  |
| Interest paid on bonds, net of<br>purchased interest                                     | (1,455,412)                            | (7,766,800)                            | (24,565,220)                           |
| Proceeds of bonds  | -                                      | -                                      | -                                      |
| Bond issuance expense  | -                                      | -                                      | -                                      |
| Redemption of bonds  | (370,000)                              | (5,490,000)                            | (7,145,000)                            |
| Contribution from U.S. EPA   | -                                      | -                                      | -                                      |
| Other  | -                                      | 3,891                                  | -                                      |
| Transfers (to) from other funds  | (18,178,790)                           | 24,194,236                             | (161,500,020)                          |
| Net cash provided (used) by noncapital<br>financing activities                           | (20,004,202)                           | 10,941,327                             | (193,210,240)                          |
| Net increase (decrease) in cash and<br>cash equivalents                                  | (18,337,927)                           | 209,679                                | (27,649,687)                           |
| Cash and cash equivalents at<br>beginning of year  | 55,312,901                             | 11,191                                 | 28,502,678                             |
| Cash and cash equivalents at end of year   | \$ 36,974,974                          | 220,870                                | 852,991                                |
| Reconciliation of operating income (loss) to<br>net cash (used) by operating activities: |  |  |  |
| Operating income (loss)  | (2,122,828)                            | (6,284,360)                            | (10,626,320)                           |
| Adjustments:   |  |  |  |
| Investment income  | (1,629,355)                            | (293,309)                              | (9,810,969)                            |
| Operating expense  | -                                      | -                                      | -                                      |
| Interest on bonds  | 3,713,643                              | 6,481,860                              | 20,253,013                             |
| Loan income  | -                                      | -                                      | -                                      |
| Amortization of bond issuance expense  | 22,187                                 | 95,809                                 | 163,775                                |
| Net cash (used) by operating activities  | \$ (16,353)                            | -                                      | (20,501)                               |

Tusteed Fund

| 2004<br>Water Quality<br>Rev Ref<br>Bond Proceeds | 2005<br>Water Quality<br>Bond Proceeds | 2005<br>Water Quality<br>Rev Ref<br>Bond Proceeds | Fund<br>Total    |
|---|--|---|------------------|
| (21,325)  | (39,683)                               | (416)   | (4,101,078)      |
| (21,325)  | (39,683)                               | (416)   | (4,101,078)      |
| 3,179,570   | 4,522,604                              | 9,899,617   | 10,194,094,128   |
| (3,179,570)                                       | (411,507,942)                          | (9,899,617)                                       | (10,476,846,216) |
| 37,518  | 918,499                                | 132,924   | 22,612,289       |
| -   | -                                      | -   | 57,102,324       |
| -   | -                                      | -   | 99,508,529       |
| -   | -                                      | -   | (336,624,818)    |
| 37,518  | (406,066,839)                          | 132,924   | (440,153,764)    |
| (3,182,750)                                       | (4,681,480)                            | (7,270,076)                                       | (57,315,627)     |
| -   | 468,715,473                            | 249,261,858                                       | 738,277,639      |
| -   | (3,349,993)                            | (1,807,937)                                       | (5,313,599)      |
| -   | -                                      | (251,575,982)                                     | (313,961,385)    |
| -   | -                                      | -   | 77,321,215       |
| -   | -                                      | -   | (480,142)        |
| 3,167,404   | (3,658,644)                            | 11,405,077  | 42,650           |
| (15,346)  | 457,025,356                            | 12,940  | 438,570,751      |
| 847   | 50,918,834                             | 145,448   | (5,684,091)      |
| 44,954  | -                                      | -   | 157,247,713      |
| 45,801  | 50,918,834                             | 145,448   | 151,563,622      |
| (2,865,897)                                       | (863,767)                              | (7,904,277)                                       | 30,239,498       |
| (37,663)  | (6,309,311)                            | (133,387)   | (28,597,804)     |
| -   | -                                      | -   | 144,213          |
| 2,835,565   | 7,051,688                              | 7,942,093   | 56,952,846       |
| -   | -                                      | -   | (63,621,341)     |
| 46,670  | 81,707                                 | 95,155  | 781,510          |
| (21,325)  | (39,683)                               | (416)   | (4,101,078)      |

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

Schedule of Combining Balance Sheets

December 31, 2005

|   | Trusteed Fund                   |                                      |                                      |
|---|---------------------------------|--------------------------------------|--------------------------------------|
|   | Drinking<br>Water<br>Assistance | 2001<br>State Match<br>Note Proceeds | 2002<br>State Match<br>Bond Proceeds |
| <u>Assets</u>   |                                 |                                      |                                      |
| Noncurrent assets:  |                                 |                                      |                                      |
| Restricted bond and note covenant assets:                   |                                 |                                      |                                      |
| Cash and cash equivalents                                   | \$ 21,322,151                   | 1,143,039                            | 1,401,053                            |
| Investments   | 2,704,630                       | 3,910                                | 1,599,810                            |
| Loan receivables  | 271,086,157                     | 15,052,091                           | -                                    |
| Total restricted assets                                     | <u>295,112,938</u>              | <u>16,199,040</u>                    | <u>3,000,863</u>                     |
| Other receivables   | -                               | -                                    | -                                    |
| Deferred bond issuance expense                              | -                               | -                                    | 223,294                              |
| Due from other funds  | 56,778                          | -                                    | -                                    |
| Total assets  | <u>\$ 295,169,716</u>           | <u>16,199,040</u>                    | <u>3,224,157</u>                     |
| <u>Liabilities</u>  |                                 |                                      |                                      |
| Current liabilities payable from restricted assets:         |                                 |                                      |                                      |
| Accrued interest  | -                               | -                                    | 80,222                               |
| Due to other funds  | 77,451                          | -                                    | -                                    |
| Accounts payable  | 9,216,363                       | -                                    | -                                    |
| Drinking Water Assistance Revenue Bonds:                    |                                 |                                      |                                      |
| State Match Series 2002-2004                                | -                               | -                                    | 2,230,000                            |
| Leverage Series 2002 - 2005                                 | -                               | -                                    | -                                    |
| Total current liabilities payable from restricted assets    | <u>9,293,814</u>                | <u>-</u>                             | <u>2,310,222</u>                     |
| Noncurrent liabilities:                                     |                                 |                                      |                                      |
| Drinking Water Assistance Revenue Bonds:                    |                                 |                                      |                                      |
| State Match Series 2002 - 2004, net of discount and premium | -                               | -                                    | 20,472,458                           |
| Leverage Series 2002 - 2005, net of premiums                | -                               | -                                    | -                                    |
| Total noncurrent liabilities                                | <u>-</u>                        | <u>-</u>                             | <u>20,472,458</u>                    |
| Total liabilities   | <u>9,293,814</u>                | <u>-</u>                             | <u>22,782,680</u>                    |
| <u>Net Assets</u>   |                                 |                                      |                                      |
| Restricted for debt and grant covenants                     | 285,875,902                     | 16,199,040                           | (19,558,523)                         |
| Unrestricted  | -                               | -                                    | -                                    |
| Total net assets  | <u>285,875,902</u>              | <u>16,199,040</u>                    | <u>(19,558,523)</u>                  |
| Total liabilities and net assets                            | <u>\$ 295,169,716</u>           | <u>16,199,040</u>                    | <u>3,224,157</u>                     |

Trusteed Fund

| 2004<br>State Match<br>Bond Proceeds | 2002<br>Leverage<br>Bond Proceeds | 2004<br>Leverage<br>Bond Proceeds | 2005<br>Leverage<br>Bond Proceeds | 2005 B<br>Leverage<br>Bond Proceeds | Fund<br>Total      |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|--------------------|
| 7,364,821                            | 6,390,033                         | 37,442,485                        | 53,117                            | 13,029,915                          | 88,146,614         |
| 1,815,934                            | 3,457,880                         | 129,749                           | 169                               | 50,208,913                          | 59,920,995         |
| -                                    | -                                 | -                                 | -                                 | -                                   | 286,138,248        |
| <u>9,180,755</u>                     | <u>9,847,913</u>                  | <u>37,572,234</u>                 | <u>53,286</u>                     | <u>63,238,828</u>                   | <u>434,205,857</u> |
| -                                    | -                                 | -                                 | -                                 | -                                   | -                  |
| 249,556                              | 155,046                           | 502,781                           | 338,037                           | 491,737                             | 1,960,451          |
| -                                    | -                                 | -                                 | -                                 | -                                   | 56,778             |
| <u>9,430,311</u>                     | <u>10,002,959</u>                 | <u>38,075,015</u>                 | <u>391,323</u>                    | <u>63,730,565</u>                   | <u>436,223,086</u> |
| 117,658                              | 72,970                            | 244,050                           | 159,181                           | 496,102                             | 1,170,183          |
| -                                    | -                                 | -                                 | -                                 | -                                   | 77,451             |
| -                                    | -                                 | -                                 | -                                 | 79,468                              | 9,295,831          |
| 2,095,000                            | -                                 | -                                 | -                                 | -                                   | 4,325,000          |
| -                                    | 1,250,000                         | 615,000                           | -                                 | 385,000                             | 2,250,000          |
| 2,212,658                            | 1,322,970                         | 859,050                           | 159,181                           | 960,570                             | 17,118,465         |
| 32,426,767                           | -                                 | -                                 | -                                 | -                                   | 52,899,225         |
| -                                    | 19,085,400                        | 68,651,600                        | 38,651,321                        | 62,779,089                          | 189,167,410        |
| <u>32,426,767</u>                    | <u>19,085,400</u>                 | <u>68,651,600</u>                 | <u>38,651,321</u>                 | <u>62,779,089</u>                   | <u>242,066,635</u> |
| 34,639,425                           | 20,408,370                        | 69,510,650                        | 38,810,502                        | 63,739,659                          | 259,185,100        |
| (25,209,114)                         | (10,405,411)                      | (31,435,635)                      | (38,419,179)                      | (9,094)                             | 177,037,986        |
| -                                    | -                                 | -                                 | -                                 | -                                   | -                  |
| <u>(25,209,114)</u>                  | <u>(10,405,411)</u>               | <u>(31,435,635)</u>               | <u>(38,419,179)</u>               | <u>(9,094)</u>                      | <u>177,037,986</u> |
| <u>9,430,311</u>                     | <u>10,002,959</u>                 | <u>38,075,015</u>                 | <u>391,323</u>                    | <u>63,730,565</u>                   | <u>436,223,086</u> |

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

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

Year ended December 31, 2005

|                                       | Trusteed Fund                   |                                      |                                      |
|---------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
|                                       | Drinking<br>Water<br>Assistance | 2001<br>State Match<br>Note Proceeds | 2002<br>State Match<br>Bond Proceeds |
| Operating revenues:                   |                                 |                                      |                                      |
| Loan income                           | \$ 8,922,954                    | -                                    | -                                    |
| Investment income                     | 607,783                         | 34,811                               | 178,369                              |
| Administrative fees from projects     | 660,982                         | -                                    | -                                    |
| Total operating revenues              | <u>10,191,719</u>               | <u>34,811</u>                        | <u>178,369</u>                       |
| Operating expenses:                   |                                 |                                      |                                      |
| Interest on bonds                     | -                               | -                                    | 1,000,541                            |
| Amortization of bond issuance expense | -                               | -                                    | 12,760                               |
| Other                                 | 2,584,523                       | -                                    | 1,252                                |
| Total operating expenses              | <u>2,584,523</u>                | <u>-</u>                             | <u>1,014,553</u>                     |
| Operating income (loss)               | <u>7,607,196</u>                | <u>34,811</u>                        | <u>(836,184)</u>                     |
| Contribution from U.S. EPA            | 14,051,780                      | -                                    | -                                    |
| Transfers in (out), net               | 41,609,516                      | -                                    | 2,738,768                            |
| Change in net assets                  | <u>63,268,492</u>               | <u>34,811</u>                        | <u>1,902,584</u>                     |
| Net assets at beginning of year       | 222,607,410                     | 16,164,229                           | (21,461,107)                         |
| Net assets at end of year             | <u>\$ 285,875,902</u>           | <u>16,199,040</u>                    | <u>(19,558,523)</u>                  |

Trusteed Fund

| 2004<br>State Match<br>Bond Proceeds | 2002<br>Leverage<br>Bond Proceeds | 2004<br>Leverage<br>Bond Proceeds | 2005<br>Leverage<br>Bond Proceeds | 2005 B<br>Leverage<br>Bond Proceeds | Fund<br>Total             |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------|
| -                                    | -                                 | -                                 | -                                 | -                                   | 8,922,954                 |
| 569,648                              | 529,054                           | 1,542,156                         | 6,153                             | 425,496                             | 3,893,470                 |
| -                                    | -                                 | -                                 | -                                 | -                                   | 660,982                   |
| <u>569,648</u>                       | <u>529,054</u>                    | <u>1,542,156</u>                  | <u>6,153</u>                      | <u>425,496</u>                      | <u>13,477,406</u>         |
| 1,084,114                            | 1,931,844                         | 2,684,159                         | 836,629                           | 496,102                             | 8,033,389                 |
| 12,478                               | 21,198                            | 25,139                            | 9,658                             | -                                   | 81,233                    |
| 6,981                                | 11,385                            | 6,500                             | -                                 | -                                   | 2,610,641                 |
| <u>1,103,573</u>                     | <u>1,964,427</u>                  | <u>2,715,798</u>                  | <u>846,287</u>                    | <u>496,102</u>                      | <u>10,725,263</u>         |
| <u>(533,925)</u>                     | <u>(1,435,373)</u>                | <u>(1,173,642)</u>                | <u>(840,134)</u>                  | <u>(70,606)</u>                     | <u>2,752,143</u>          |
| -                                    | -                                 | -                                 | -                                 | -                                   | 14,051,780                |
| <u>(15,480,670)</u>                  | <u>30,904,428</u>                 | <u>(22,184,023)</u>               | <u>(37,579,045)</u>               | <u>61,512</u>                       | <u>70,486</u>             |
| <u>(16,014,595)</u>                  | <u>29,469,055</u>                 | <u>(23,357,665)</u>               | <u>(38,419,179)</u>               | <u>(9,094)</u>                      | <u>16,874,409</u>         |
| <u>(9,194,519)</u>                   | <u>(39,874,466)</u>               | <u>(8,077,970)</u>                | <u>-</u>                          | <u>-</u>                            | <u>160,163,577</u>        |
| <u><u>(25,209,114)</u></u>           | <u><u>(10,405,411)</u></u>        | <u><u>(31,435,635)</u></u>        | <u><u>(38,419,179)</u></u>        | <u><u>(9,094)</u></u>               | <u><u>177,037,986</u></u> |

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

|   | Trusteed Fund                   |                                      |                                      |
|---|---------------------------------|--------------------------------------|--------------------------------------|
|   | Drinking<br>Water<br>Assistance | 2001<br>State Match<br>Note Proceeds | 2002<br>State Match<br>Bond Proceeds |
| Operating activities:   |                                 |                                      |                                      |
| Administrative fees from projects   | \$ 504,647                      | -                                    | -                                    |
| Operating expenses  | <u>(2,572,687)</u>              | -                                    | <u>(1,252)</u>                       |
| Net cash (used) by operating activities   | (2,068,040)                     | -                                    | (1,252)                              |
| Investing activities:   |                                 |                                      |                                      |
| Proceeds from maturity or sale of investments   | -                               | -                                    | 3,252,418                            |
| Purchase of investments   | (2,579,325)                     | -                                    | (3,182,478)                          |
| Interest received on investments, net of purchased interest                           | 513,646                         | 33,302                               | 176,616                              |
| Interest received on projects   | 6,581,427                       | -                                    | -                                    |
| Principal collected on projects   | 8,803,268                       | -                                    | -                                    |
| Payment for construction of projects  | <u>(66,352,910)</u>             | <u>(13,500)</u>                      | <u>-</u>                             |
| Net cash provided (used) by investing activities                                      | (53,033,894)                    | 19,802                               | 246,556                              |
| Noncapital financing activities:  |                                 |                                      |                                      |
| Interest paid on bonds  | -                               | -                                    | (1,014,256)                          |
| Proceeds of bonds   | -                               | -                                    | -                                    |
| Bond issuance expense   | -                               | -                                    | -                                    |
| Redemption of bonds   | -                               | -                                    | (2,300,000)                          |
| Contribution from U.S. EPA  | 14,157,336                      | -                                    | -                                    |
| Other   | (249,915)                       | -                                    | -                                    |
| Transfers (to) from other funds   | <u>41,609,513</u>               | <u>-</u>                             | <u>2,738,769</u>                     |
| Net cash provided (used) by noncapital financing activities                           | 55,516,934                      | -                                    | (575,487)                            |
| Net increase (decrease) in cash and cash equivalents                                  | 415,000                         | 19,802                               | (330,183)                            |
| Cash and cash equivalents at beginning of year  | 20,907,151                      | 1,123,237                            | 1,731,236                            |
| Cash and cash equivalents at end of year  | <u>\$ 21,322,151</u>            | <u>1,143,039</u>                     | <u>1,401,053</u>                     |
| Reconciliation of operating income (loss) to net cash (used) by operating activities: |                                 |                                      |                                      |
| Operating income (loss)   | 7,607,196                       | 34,811                               | (836,184)                            |
| Adjustments:  |                                 |                                      |                                      |
| Investment income   | (607,783)                       | (34,811)                             | (178,369)                            |
| Operating expenses  | 11,836                          | -                                    | -                                    |
| Interest on bonds   | -                               | -                                    | 1,000,541                            |
| Loan income   | (8,922,954)                     | -                                    | -                                    |
| Amortization of bond issuance expense   | -                               | -                                    | 12,760                               |
| Net change in other assets and other liabilities                                      | <u>(156,335)</u>                | <u>-</u>                             | <u>-</u>                             |
| Net cash (used) by operating activities   | <u>\$ (2,068,040)</u>           | <u>-</u>                             | <u>(1,252)</u>                       |

Trusted Fund

| 2004<br>State Match<br>Bond Proceeds | 2002<br>Leverage<br>Bond Proceeds | 2004<br>Leverage<br>Bond Proceeds | 2005<br>Leverage<br>Bond Proceeds | 2005 B<br>Leverage<br>Bond Proceeds | Fund<br>Total |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|---------------|
| -                                    | -                                 | -                                 | -                                 | -                                   | 504,647       |
| (6,981)                              | (11,385)                          | (6,500)                           | -                                 | -                                   | (2,598,805)   |
| (6,981)                              | (11,385)                          | (6,500)                           | -                                 | -                                   | (2,094,158)   |
| 2,161,409                            | -                                 | -                                 | -                                 | -                                   | 5,413,827     |
| (3,943,581)                          | -                                 | -                                 | -                                 | (50,000,000)                        | (59,705,384)  |
| 580,443                              | 534,929                           | 1,511,648                         | 5,984                             | 216,585                             | 3,573,153     |
| -                                    | -                                 | -                                 | -                                 | -                                   | 6,581,427     |
| -                                    | -                                 | -                                 | -                                 | -                                   | 8,803,268     |
| -                                    | -                                 | -                                 | -                                 | -                                   | (66,366,410)  |
| (1,201,729)                          | 534,929                           | 1,511,648                         | 5,984                             | (49,783,415)                        | (101,700,119) |
| (1,423,150)                          | (1,921,925)                       | (2,928,600)                       | (703,257)                         | -                                   | (7,991,188)   |
| -                                    | -                                 | -                                 | 41,497,528                        | 63,164,089                          | 104,661,617   |
| -                                    | -                                 | -                                 | (347,695)                         | (412,269)                           | (759,964)     |
| (755,000)                            | (1,070,000)                       | -                                 | (41,362,700)                      | -                                   | (45,487,700)  |
| -                                    | -                                 | -                                 | -                                 | -                                   | 14,157,336    |
| -                                    | -                                 | -                                 | -                                 | -                                   | (249,915)     |
| (15,480,670)                         | (7,637,874)                       | (22,184,023)                      | 963,257                           | 61,510                              | 70,482        |
| (17,658,820)                         | (10,629,799)                      | (25,112,623)                      | 47,133                            | 62,813,330                          | 64,400,668    |
| (18,867,530)                         | (10,106,255)                      | (23,607,475)                      | 53,117                            | 13,029,915                          | (39,393,609)  |
| 26,232,351                           | 16,496,288                        | 61,049,960                        | -                                 | -                                   | 127,540,223   |
| 7,364,821                            | 6,390,033                         | 37,442,485                        | 53,117                            | 13,029,915                          | 88,146,614    |
| (533,925)                            | (1,435,373)                       | (1,173,642)                       | (840,134)                         | (70,606)                            | 2,752,143     |
| (569,648)                            | (529,054)                         | (1,542,156)                       | (6,153)                           | (425,496)                           | (3,893,470)   |
| -                                    | -                                 | -                                 | -                                 | -                                   | 11,836        |
| 1,084,114                            | 1,931,844                         | 2,684,159                         | 836,629                           | 496,102                             | 8,033,389     |
| -                                    | -                                 | -                                 | -                                 | -                                   | (8,922,954)   |
| 12,478                               | 21,198                            | 25,139                            | 9,658                             | -                                   | 81,233        |
| -                                    | -                                 | -                                 | -                                 | -                                   | (156,335)     |
| (6,981)                              | (11,385)                          | (6,500)                           | -                                 | -                                   | (2,094,158)   |

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**Clark, Schaefer, Hackett & Co.**  
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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, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

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

Compliance and Other Matters:

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

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 15, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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 16, 2006**