



**Auditor of State
Betty Montgomery**

**OHIO WATER
DEVELOPMENT AUTHORITY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Water Development Authority
88 East Broad Street, Suite 1300
Columbus, OH 43215-3516

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, 2003, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in 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, 2003, 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 26, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries 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.

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Ohio Water Development Authority
Independent Accountants' Report

We conducted our audit to form opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual schedules of combining statements are presented for additional analysis and are not a required part of the basic financial statements. We subjected the individual schedules of combining statements 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 26, 2004

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2003

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, 2003. 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 2003 by \$122,978,134 or 6.17%
- During 2003, the Authority's loan receivable balance increased by \$163,368,598 or 6.43%
- During 2003, the Authority received a rating upgrade on its Community Assistance Series Bonds from "A1" to "Aa3" and "A+" to "AA" from Moody's and Fitch, respectively

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, 2003. 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 14-62 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 64-123 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 2003 and 2002, 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, 2003 and December 31, 2002:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2003	2002	Dollar Change	Total Percent Change
Current assets	\$92,530	92,462	68	.07%
Noncurrent restricted assets	3,547,909	3,495,851	52,058	1.49%
Noncurrent unrestricted assets	73,123	68,616	4,507	6.57%
Capital assets	2,107	1,790	317	17.71%
Total assets	3,715,669	3,658,719	56,950	1.56%
Current liabilities	142,417	155,882	(13,465)	(8.64%)
Noncurrent revenue bonds and notes payable	1,456,740	1,509,311	(52,571)	(3.48%)
Other noncurrent liabilities	142	134	8	5.97%
Total liabilities	1,599,299	1,665,327	(66,028)	(3.96%)
Net assets:				
Invested in capital assets	2,107	1,790	317	17.71%
Restricted	1,961,617	1,838,858	122,759	6.68%
Unrestricted	152,646	152,744	(98)	(.06%)
Total net assets	2,116,370	1,993,392	122,978	6.17%
Total liabilities and net assets	\$3,715,669	\$3,658,719	56,950	1.56%

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 \$2,116,370,474 as of December 31, 2003, \$1,961,617,038 of which is restricted for debt and grant covenants.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

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 2003, the Authority's net assets increased by \$122,978,134 or 6.17%. The majority of this increase was due to the following:

- A \$163,368,598 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds
- A \$108,433,420 decrease in investments, the proceeds of which were used to fund loan disbursements and bond calls
- A \$53,983,144 decrease in bonds and notes payable caused by scheduled maturities along with optional redemptions by the Authority

The following table summarizes the changes in revenues and expenses for the Authority between 2003 and 2002:

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

	2003	2002	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$124,229	120,099	4,130	3.44%
Investment income	14,070	23,407	(9,337)	(39.89%)
Administrative fees from projects	2,686	2,211	475	21.48%
Total operating revenues	140,985	145,717	(4,732)	(3.25%)
Operating expenses:				
Interest on bonds and notes	78,681	82,477	(3,796)	(4.60%)
Amortization of bond and note issuance expense	1,639	1,844	(205)	(11.12%)
Other	13,961	11,020	2,941	26.69%
Total operating expenses	94,281	95,341	(1,060)	(1.11%)
Operating income	46,704	50,376	(3,672)	(7.29%)
Nonoperating other revenues	4,546	7,034	(2,488)	(35.37%)
Contribution from U.S. EPA	71,728	85,447	(13,719)	(16.06%)
Change in net assets	\$122,978	142,857	(19,879)	(13.92%)

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, 2003, the Authority had a decrease in operating income compared to 2002 of \$3,672,293 (7.29%). This decrease was attributed to the following:

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

- A \$9,336,655 decrease in investment income caused by a reduction in the yields the Authority was able to obtain on securities traded in 2003
- A \$4,130,162 increase in interest on loans attributed to the increase in loan receivables

Debt Administration

As of December 31, 2003, the Authority had bond and note principal outstanding of \$1,560,980,378. 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 2003 and 2002.

Outstanding Debt at December 31, 2003 and December 31, 2002 (net of discounts, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

	2003	2002
Revenue Bonds	\$1,534,280	1,607,984
Revenue Notes	26,700	6,980
Total	<u>\$1,560,980</u>	<u>1,614,964</u>

During 2003, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Development Refunding and Improvement Revenue Notes—Rural Development Loan Advance Series 2003
- Water Development Revenue Bonds—Community Assistance Series 2003

During 2003, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2003 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1995. This transaction enabled the Authority to save \$9,542,048 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 Fitch for the 2003 new money issues of the Authority.

2003 Bond Ratings

Bond Series	Moody's	Fitch
Community Assistance	Aa3	AA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 26-58 of this report.

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Management's Discussion and Analysis

Subsequent Event

Since December 31, 2003, the Authority has issued additional debt. The Authority issued \$509,700,000 in Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004 in January 2004. In February 2004, the Authority also issued \$99,490,000 in Drinking Water Assistance Fund Revenue Bonds. Of this issuance, \$66,145,000 was issued as Leverage Series 2004 and \$33,345,000 as State Match Series 2004.

As these bonds were not issued until 2004, they are not included in the long-term debt of the Authority as of December 31, 2003.

Contacting the Authority's Financial Management

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

OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2003

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5 & 6)
Assets					
Current assets:					
Cash and cash equivalents -- Note 2	\$ 258,029	-	49,958	-	-
Investments -- Note 2	2,774,348	-	86,565,455	-	-
Receivables:					
Loan receivables	577,310	-	2,294,649	-	-
Other	10,557	-	-	-	-
Total current assets	<u>3,620,244</u>	<u>-</u>	<u>88,910,062</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Restricted grant, bond, and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	-	299,852
Investments -- Note 2	-	-	-	20,406,061	91,611,030
Loan receivables	-	2,746,666	-	19,444,130	120,335,910
Total restricted assets	<u>-</u>	<u>2,746,666</u>	<u>-</u>	<u>39,850,191</u>	<u>212,246,792</u>
Investments -- Note 2	1,638,187	-	30,509,220	-	-
Loan receivables	-	-	18,697,671	-	-
Other receivables	-	-	-	-	133,960
Deferred bond and note issuance expense	-	-	-	110,521	1,168,509
Due from other funds -- Note 3	875,076	-	-	-	-
Capital assets, at depreciated cost	2,107,042	-	-	-	-
Total noncurrent assets	<u>4,620,305</u>	<u>-</u>	<u>49,206,891</u>	<u>110,521</u>	<u>1,302,469</u>
Total assets	<u>\$ 8,240,549</u>	<u>2,746,666</u>	<u>138,116,953</u>	<u>39,960,712</u>	<u>213,549,261</u>
Liabilities					
Current liabilities:					
Accounts payable	225,343	-	121,649	-	-
Total current liabilities	<u>225,343</u>	<u>-</u>	<u>121,649</u>	<u>-</u>	<u>-</u>
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	486,724	1,984,009
Accrued interest	-	-	-	25,325	337,741
Revenue bonds and notes payable	-	-	-	-	2,405,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,049</u>	<u>4,726,750</u>
Noncurrent liabilities:					
Compensated absences	142,036	-	-	-	-
Revenue bonds and notes payable (net of discounts, premiums and deferred losses)	-	-	-	26,700,000	97,493,658
Total noncurrent liabilities	<u>142,036</u>	<u>-</u>	<u>-</u>	<u>26,700,000</u>	<u>97,493,658</u>
Total liabilities	<u>367,379</u>	<u>-</u>	<u>121,649</u>	<u>27,212,049</u>	<u>102,220,408</u>
Net Assets					
Invested in capital assets	2,107,042	-	-	-	-
Restricted for debt and grant covenants	-	2,746,666	-	12,748,663	111,328,853
Unrestricted	5,766,128	-	137,995,304	-	-
Total net assets	<u>7,873,170</u>	<u>2,746,666</u>	<u>137,995,304</u>	<u>12,748,663</u>	<u>111,328,853</u>
Total liabilities and net assets	<u>\$ 8,240,549</u>	<u>2,746,666</u>	<u>138,116,953</u>	<u>39,960,712</u>	<u>213,549,261</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 7, 8, 9 & 10)	Refunding Fund (Note 11)	Safe Water Refunding Fund (Notes 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22,23&24)	Drinking Water Assistance Fund (Notes 25 & 26)	Total Combining 2003
-	-	-	-	-	-	307,987
-	-	-	-	-	-	89,339,803
-	-	-	-	-	-	2,871,959
-	-	-	-	-	-	10,557
-	-	-	-	-	-	92,530,306
1,237,356	89,265	342,814	3,925,955	4,225,876	1,437,882	11,559,000
171,243,804	8,280,078	29,576,870	67,014,368	398,926,251	65,520,365	852,578,827
422,914,194	22,708,652	92,380,070	264,649,756	1,578,942,874	159,648,891	2,683,771,143
<u>595,395,354</u>	<u>31,077,995</u>	<u>122,299,754</u>	<u>335,590,079</u>	<u>1,982,095,001</u>	<u>226,607,138</u>	<u>3,547,908,970</u>
-	-	-	-	-	-	32,147,407
-	-	-	-	-	-	18,697,671
1,086,940	-	81,613	-	4,778,969	105,556	6,187,038
3,132,572	929,359	536,223	2,898,139	5,701,419	739,584	15,216,326
-	-	-	-	-	-	875,076
-	-	-	-	-	-	2,107,042
<u>4,219,512</u>	<u>929,359</u>	<u>617,836</u>	<u>2,898,139</u>	<u>10,480,388</u>	<u>845,140</u>	<u>75,230,560</u>
<u>599,614,866</u>	<u>32,007,354</u>	<u>122,917,590</u>	<u>338,488,218</u>	<u>1,992,575,389</u>	<u>227,452,278</u>	<u>3,715,669,836</u>
-	-	-	-	-	-	346,992
-	-	-	-	-	-	346,992
-	-	-	450,917	-	424,159	875,076
4,491,439	-	-	-	19,807,615	3,833,772	30,603,559
1,322,456	83,439	267,472	1,034,191	2,940,562	340,135	6,351,321
<u>12,290,000</u>	<u>5,165,000</u>	<u>18,718,057</u>	<u>28,930,000</u>	<u>33,457,647</u>	<u>3,275,000</u>	<u>104,240,704</u>
18,103,895	5,248,439	18,985,529	30,415,108	56,205,824	7,873,066	142,070,660
-	-	-	-	-	-	142,036
305,617,126	12,268,260	48,123,462	217,784,832	663,520,765	85,231,571	1,456,739,674
<u>305,617,126</u>	<u>12,268,260</u>	<u>48,123,462</u>	<u>217,784,832</u>	<u>663,520,765</u>	<u>85,231,571</u>	<u>1,456,881,710</u>
<u>323,721,021</u>	<u>17,516,699</u>	<u>67,108,991</u>	<u>248,199,940</u>	<u>719,726,589</u>	<u>93,104,637</u>	<u>1,599,299,362</u>
-	-	-	-	-	-	2,107,042
275,893,845	14,490,655	55,808,599	81,403,316	1,272,848,800	134,347,641	1,961,617,038
-	-	-	8,884,962	-	-	152,646,394
<u>275,893,845</u>	<u>14,490,655</u>	<u>55,808,599</u>	<u>90,288,278</u>	<u>1,272,848,800</u>	<u>134,347,641</u>	<u>2,116,370,474</u>
<u>599,614,866</u>	<u>32,007,354</u>	<u>122,917,590</u>	<u>338,488,218</u>	<u>1,992,575,389</u>	<u>227,452,278</u>	<u>3,715,669,836</u>

OHIO WATER DEVELOPMENT AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended December 31, 2003

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5 & 6)
Operating revenues:					
Loan income	\$ -	248,865	737,950	382,200	2,228,828
Investment income	83,064	-	1,394,617	145,758	729,366
Administrative fees from projects	1,850,146	-	-	-	-
Total operating revenues	<u>1,933,210</u>	<u>248,865</u>	<u>2,132,567</u>	<u>527,958</u>	<u>2,958,194</u>
Operating expenses:					
Interest on bonds and notes	-	-	-	144,530	2,529,895
Amortization of bond and note issuance expense	-	-	-	83,731	26,058
Other	2,290,565	-	642,837	100,431	3,376
Total operating expenses	<u>2,290,565</u>	<u>-</u>	<u>642,837</u>	<u>328,692</u>	<u>2,559,329</u>
Operating income (loss)	<u>(357,355)</u>	<u>248,865</u>	<u>1,489,730</u>	<u>199,266</u>	<u>398,865</u>
Nonoperating other revenues (expenses)	73,675	-	-	-	(7,168)
Income (loss) before contributions and transfers	<u>(283,680)</u>	<u>248,865</u>	<u>1,489,730</u>	<u>199,266</u>	<u>391,697</u>
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 30	450,917	(1,659,036)	331,476	(5,000,000)	(1,605,119)
Change in net assets	167,237	(1,410,171)	1,821,206	(4,800,734)	(1,213,422)
Net assets at beginning of year	7,705,933	4,156,837	136,174,098	17,549,397	112,542,275
Net assets at end of year	<u>\$ 7,873,170</u>	<u>2,746,666</u>	<u>137,995,304</u>	<u>12,748,663</u>	<u>111,328,853</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 7, 8, 9 & 10)	Refunding Fund (Note 11)	Safe Water Refunding Fund (Notes 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22,23&24)	Drinking Water Assistance Fund (Notes 25 & 26)	Total Combining 2003
22,646,599	1,569,965	10,951,236	21,664,062	58,095,492	5,704,035	124,229,232
2,645,693	138,782	369,617	1,325,454	6,159,919	1,077,543	14,069,813
-	-	-	-	-	835,549	2,685,695
<u>25,292,292</u>	<u>1,708,747</u>	<u>11,320,853</u>	<u>22,989,516</u>	<u>64,255,411</u>	<u>7,617,127</u>	<u>140,984,740</u>
15,244,240	1,287,162	7,910,284	12,720,264	34,892,864	3,951,421	78,680,660
220,094	71,489	348,492	314,348	536,523	37,928	1,638,663
147,547	13,458	1,835,692	1,506,000	4,562,193	2,859,269	13,961,368
<u>15,611,881</u>	<u>1,372,109</u>	<u>10,094,468</u>	<u>14,540,612</u>	<u>39,991,580</u>	<u>6,848,618</u>	<u>94,280,691</u>
<u>9,680,411</u>	<u>336,638</u>	<u>1,226,385</u>	<u>8,448,904</u>	<u>24,263,831</u>	<u>768,509</u>	<u>46,704,049</u>
978,344	-	-	2,221,180	1,279,998	-	4,546,029
<u>10,658,755</u>	<u>336,638</u>	<u>1,226,385</u>	<u>10,670,084</u>	<u>25,543,829</u>	<u>768,509</u>	<u>51,250,078</u>
-	-	-	-	52,291,154	19,436,902	71,728,056
<u>(5,723,476)</u>	<u>(1,148,832)</u>	<u>21,075,058</u>	<u>(6,720,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,935,279	(812,194)	22,301,443	3,949,096	77,834,983	20,205,411	122,978,134
270,958,566	15,302,849	33,507,156	86,339,182	1,195,013,817	114,142,230	1,993,392,340
<u>275,893,845</u>	<u>14,490,655</u>	<u>55,808,599</u>	<u>90,288,278</u>	<u>1,272,848,800</u>	<u>134,347,641</u>	<u>2,116,370,474</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2003

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5 & 6)
Operating activities:					
Administrative fees from projects	\$ 1,255,987	-	-	-	-
Operating expenses	(1,226,826)	-	(94,760)	(100,430)	(3,376)
Salaries and fringes expense	(1,461,576)	-	-	-	-
Net cash (used) by operating activities	<u>(1,432,415)</u>	<u>-</u>	<u>(94,760)</u>	<u>(100,430)</u>	<u>(3,376)</u>
Investing activities:					
Proceeds from maturity or sale of investments	3,852,938	-	316,429,954	45,025,522	754,132,252
Purchase of investments	(2,437,461)	-	(320,081,229)	(54,722,887)	(794,585,919)
Interest received on investments, net of purchased interest	187,869	-	2,794,226	140,629	869,346
Interest received on projects	-	-	755,603	-	2,045,685
Principal collected on projects	-	-	1,705,477	4,077,680	4,717,611
Payment for construction of projects	-	-	(1,847,975)	(8,881,144)	(16,465,185)
Net cash provided (used) by investing activities	<u>1,603,346</u>	<u>-</u>	<u>(243,944)</u>	<u>(14,360,200)</u>	<u>(49,286,210)</u>
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	-	(126,332)	(2,421,113)
Proceeds of bonds and notes	-	-	-	26,700,000	55,359,259
Bond and note issuance expense	-	-	-	(128,205)	(539,176)
Redemption of bonds and notes	-	-	-	(6,980,000)	(1,810,000)
Contribution from U.S. EPA	-	-	-	-	-
Other	73,674	-	-	(4,833)	-
Transfers (to) from other funds	-	-	331,476	(5,000,000)	(1,605,119)
Net cash provided (used) by noncapital financing activities	<u>73,674</u>	<u>-</u>	<u>331,476</u>	<u>14,460,630</u>	<u>48,983,851</u>
Net increase (decrease) in cash and cash equivalents	244,605	-	(7,228)	-	(305,735)
Cash and cash equivalents at beginning of year	13,424	-	57,186	-	605,587
Cash and cash equivalents at end of year -- Note 2	<u>\$ 258,029</u>	<u>-</u>	<u>49,958</u>	<u>-</u>	<u>299,852</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	(357,355)	248,865	1,489,730	199,266	398,865
Adjustments:					
Investment income	(83,064)	-	(1,394,617)	(145,758)	(729,366)
Operating expenses	-	-	548,077	1	-
Interest on bonds and notes	-	-	-	144,530	2,529,895
Loan income	-	(248,865)	(737,950)	(382,200)	(2,228,828)
Amortization of bond and note issuance expense	-	-	-	83,731	26,058
Net change in other assets and other liabilities	<u>(991,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (1,432,415)</u>	<u>-</u>	<u>(94,760)</u>	<u>(100,430)</u>	<u>(3,376)</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 7, 8, 9 & 10)	Refunding Fund (Note 11)	Safe Water Refunding Fund (Notes 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22,23&24)	Drinking Water Assistance Fund (Notes 25 & 26)	Total Combining 2003
-	-	-	-	-	1,095,050	2,351,037
(142,398)	(5,383)	(21,814)	(347,509)	(4,562,193)	(2,859,269)	(9,363,958)
-	-	-	-	-	-	(1,461,576)
(142,398)	(5,383)	(21,814)	(347,509)	(4,562,193)	(1,764,219)	(8,474,497)
4,667,172,280 (4,604,432,036)	62,637,310 (60,723,960)	224,050,493 (224,595,886)	1,320,483,573 (1,326,429,549)	10,357,014,583 (10,284,257,875)	87,751,112 (59,954,929)	17,838,550,017 (17,732,221,731)
2,834,005	154,927	429,566	997,095	6,636,988	1,130,307	16,174,958
19,080,160	1,941,704	10,142,940	24,052,200	50,097,095	4,731,581	112,846,968
15,598,514	7,173,875	14,887,514	32,859,397	75,587,371	6,754,763	163,362,202
(67,784,338)	-	-	(3,045,062)	(178,279,778)	(50,967,484)	(327,270,966)
32,468,585	11,183,856	24,914,627	48,917,654	26,798,384	(10,554,650)	71,441,448
(16,271,398)	(1,299,120)	(4,260,090)	(13,479,342)	(37,170,188)	(4,156,269)	(79,183,852)
-	-	-	-	181,072,642	-	263,131,901
-	-	-	(222,721)	(1,197,615)	-	(2,087,717)
(10,020,000)	(7,255,000)	(41,650,000)	(28,380,000)	(217,290,163)	(2,340,000)	(315,725,163)
-	-	-	-	50,137,791	19,331,346	69,469,137
(885,505)	-	-	(23,776)	-	-	(840,440)
(5,723,475)	(2,807,866)	21,075,055	(6,270,071)	-	-	-
(32,900,378)	(11,361,986)	(24,835,035)	(48,375,910)	(24,447,533)	12,835,077	(65,236,134)
(574,191)	(183,513)	57,778	194,235	(2,211,342)	516,208	(2,269,183)
1,811,547	272,778	285,036	3,731,720	6,437,218	921,674	14,136,170
1,237,356	89,265	342,814	3,925,955	4,225,876	1,437,882	11,866,987
9,680,411	336,638	1,226,385	8,448,904	24,263,831	768,509	46,704,049
(2,645,693)	(138,782)	(369,617)	(1,325,454)	(6,159,919)	(1,077,543)	(14,069,813)
5,149	8,075	1,813,878	1,158,491	-	-	3,533,671
15,244,240	1,287,162	7,910,284	12,720,264	34,892,864	3,951,421	78,680,660
(22,646,599)	(1,569,965)	(10,951,236)	(21,664,062)	(58,095,492)	(5,704,035)	(124,229,232)
220,094	71,489	348,492	314,348	536,523	37,928	1,638,663
-	-	-	-	-	259,501	(732,495)
(142,398)	(5,383)	(21,814)	(347,509)	(4,562,193)	(1,764,219)	(8,474,497)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2003

(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 5 to 40 years, plus interest. The underlying project serves as collateral for 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 27. 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 for payment of the Water Development Revenue Refunding Bonds—1992 Clean Water Series.

(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 also 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 – 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.

(e) 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.

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. Additional funding has been provided through monetary transfers from the Pure Water Refunding Fund. The balance of the construction costs is paid by the solid waste facilities under terms of installment contracts over 12 years with interest at 5.70%.

(f) 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.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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 4 to 20 years with interest at 1.00 % to 6.62%.

(g) *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.

(h) *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, 2003, the Authority has approved \$4,298,413 in assistance to eighteen communities for damage caused by flooding in Ohio.

(i) *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, 2003 was \$2,248,989.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(j) 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, 2003, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

(k) 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%. As of December 31, 2003, one loan has been awarded from this account in the amount of \$200,000 over 30 years with interest at 2.00%.

(l) Other Projects Fund – Interest Rate Subsidy

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

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

(m) 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 and monetary transfers from the Fresh Water Fund.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

(n) Community Assistance Fund

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

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

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

(o) Fresh Water Fund

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

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

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

(p) 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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

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

(q) Safe Water Refunding Fund

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

Similar to the Refunding Fund and the Working Capital Fund, certain project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is paid by the LGAs under terms of installment contracts over periods of 18 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.

(r) Pure Water Refunding Fund

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(s) 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 2 to 20 years with interest rates of 0.00% to 5.20%. LGA repayments of project costs are restricted for the purpose of providing additional moneys for projects or for debt service.

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

Year Awarded	Capitalization Grant	State Match
1989	\$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1992	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
Total	\$ 1,224,520,749	244,907,716

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

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

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

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rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2003 was \$9,210,265.

(t) *Drinking Water Assistance Fund*

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

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

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

Year Awarded	Capitalization Grant	State Match
1998	\$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
Total	\$ 188,517,100	37,703,420

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 and Leverage Series 2002. 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.

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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.

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, except for STAROhio. 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 money market investments, participating interest-earning investment contracts, nonnegotiable certificates of deposit and holdings in the State Treasury Asset Reserve of Ohio (STAROhio) investment pool, which is managed by the State Treasurer's office, investments are carried at fair value, which includes accrued interest receivable. 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). Accordingly, the Authority reports money market investments, participating interest-earning investment contracts, nonnegotiable certificates of deposit, and holdings in STAROhio 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 Pure Water Refunding Fund, see Note 16.

(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, 2003 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. Intrafund due to and due from amounts are eliminated from the combining balance sheet for accounting purposes.

(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.

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Notes to Financial Statements

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

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

(g) Interfund Transfers/Net Assets

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) Capital Assets and Facilities

Capital assets of the Authority include an office building with attached garage, two parking lots, office furniture, 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, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Building (useful life: 20-45 years)	\$ 887,524	-	-	887,524
Land	538,676	-	-	538,676
Capital Improvements (useful life: 20 years)	-	398,744	-	398,744
Other (useful life: 3-10 years)	1,260,851	63,317	(11,315)	1,312,853
Total capital assets	\$ 2,687,051	462,061	(11,315)	3,137,797
Less: accumulated depreciation-Building	(5,650)	(37,493)	-	(43,143)
Less: accumulated depreciation-Other	(891,264)	(107,663)	11,315	(987,612)
Capital assets, at depreciated cost	\$ 1,790,137	316,905	-	2,107,042

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

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Notes to Financial Statements

(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, 2003
- Noncurrent: Due after December 31, 2004
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

(j) Revenue Classifications

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

- Operating revenue consists of loan income, investment income and administrative fees from projects
- Nonoperating other revenue
- 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 \$2,200,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$19,000,000. The Authority also carries premium-based medical and dental coverage for all employees.

(2) CASH AND INVESTMENTS

The Authority's carrying amount and bank balance of deposits as of December 31, 2003 was \$11,866,987. Of this amount, \$340,548 was covered by federal depository insurance, and \$11,526,439 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, 2003 was \$11,459,254. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

Statutes authorize the Authority to invest in notes, bonds, or other obligations of the United States Government or of any agency or instrumentality thereof, including repurchase agreements secured by such obligations, or obligations of the State of Ohio or any political subdivision thereof.

The Authority's investments are categorized to give an indication of the level of custodial risk assumed by the entity as of December 31, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. Money market funds, guaranteed investment contracts and investments with STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) are not required to be categorized due to their nature.

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Notes to Financial Statements

	Carrying amount		Fair value
	Category		
	1	2	
Repurchase agreements	\$ -	269,976,814	\$: 269,976,814
U.S. government and agency securities	-	187,808,527	187,808,527
U.S. Treasury certificate of indebtedness state and local government securities	-	16,892,558	16,892,558
	\$ -	474,677,899	474,677,899
Investment in State Treasurer's Investment Pool (STAROhio)			320,254,849
Money market funds			126,698,471
Guaranteed investment contracts			40,975,564
Total investments			\$ 962,606,783
Nonnegotiable certificates of deposit			11,459,254
Total for reconciliation purposes			\$ 974,066,037

Trust agreements require that securities collateralizing repurchase agreements have a fair value at least equal to the amount of the repurchase agreement.

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2003 consisted of the following:

		Due from	
		Operating	
Due to	Fund		
	Pure Water Refunding	\$ 450,917	
	Drinking Water Assistance	424,159	
	Total	\$ 875,076	

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

As of December 31, 2003, there was \$26,700,000 of Water Development Refunding and Improvement Revenue Notes—Rural Development Loan Advance Series 2003 outstanding, which will mature on February 1, 2006. These notes have an adjustable rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2003 was 1.30%.

The debt service requirements to maturity are as follows:

Year Ending		Interest	Principal
December 31			
2004	\$	347,100	-
2005		347,100	-
2006		28,925	26,700,000
Total	\$	723,125	26,700,000

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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, 2003, there is no accrued rebate liability for these notes.

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

As of December 31, 2003, there was \$44,830,000 of Water Development Revenue Bonds—Community Assistance Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 6.00%	2004–2012	\$ 1,890,000	18,985,000	20,875,000
Term	5.250% to 5.375%	2013–2024	–	23,955,000	23,955,000
			1,890,000	42,940,000	44,830,000
	Less: unamortized discount		–	(290,601)	(290,601)
			\$ 1,890,000	42,649,399	44,539,399

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$	2,338,763	1,890,000
2005		2,252,325	1,975,000
2006		2,153,300	2,070,000
2007		2,027,150	2,200,000
2008		1,896,075	2,330,000
2009–2013		7,541,555	13,000,000
2014–2018		4,254,231	11,610,000
2019–2023		1,534,831	8,375,000
2024		55,900	1,380,000
Total	\$	24,054,130	44,830,000

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Notes to Financial Statements

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

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

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, 2003, 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.

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Notes to Financial Statements

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

As of December 31, 2003, there was \$53,755,000 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%	2004–2017	\$ 515,000	17,805,000	18,320,000
Term	4.625% to 5.000%	2014–2030	–	35,435,000	35,435,000
			515,000	53,240,000	53,755,000
Add: unamortized premium			–	1,604,259	1,604,259
			\$ 515,000	54,844,259	55,359,259

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 2,255,757	515,000
2005	2,293,763	1,100,000
2006	2,270,063	1,470,000
2007	2,238,713	1,680,000
2008	2,202,838	1,715,000
2009–2013	10,181,456	9,410,000
2014–2018	8,006,050	11,690,000
2019–2023	4,979,375	12,405,000
2024–2028	2,178,059	10,110,000
2029–2030	230,875	3,660,000
Total	\$ 36,836,949	53,755,000

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

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

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2003, 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.

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- 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.

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—1995 FRESH WATER SERIES

As of December 31, 2003, there was \$7,190,000 of Water Development Revenue Bonds—1995 Fresh Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.40%	2004–2005	\$ 4,210,000	2,980,000	7,190,000
	Less: unamortized discount		—	(2,310)	(2,310)
			<u>\$ 4,210,000</u>	<u>2,977,690</u>	<u>7,187,690</u>

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

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$	332,235	4,210,000
2005		101,790	2,980,000
Total	\$	<u>434,025</u>	<u>7,190,000</u>

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

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Notes to Financial Statements

The bond resolution provides for seven separate accounts designated as the 1995 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Cross-Collateralization account and Rebate account. As of December 1, 2003, there is no accrued rebate liability for these bonds.

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

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

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

As of December 31, 2003, there was \$125,065,000 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%	2004–2016	\$ 4,530,000	95,575,000	100,105,000
Term	5.125%	2017–2023	–	24,960,000	24,960,000
			4,530,000	120,535,000	125,065,000
	Add: unamortized premium		–	620,929	620,929
			\$ 4,530,000	121,155,929	125,685,929

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 6,338,338	4,530,000
2005	6,114,963	6,055,000
2006	5,777,369	9,115,000
2007	5,327,575	9,560,000
2008	4,819,244	10,015,000
2009–2013	16,156,819	43,895,000
2014–2018	7,476,072	26,640,000
2019–2023	1,810,022	15,255,000
Total	\$ 53,820,402	125,065,000

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

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, 2003, 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.

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

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

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

As of December 31, 2003, there was \$75,685,000 of Water Development Revenue Bonds—Fresh Water Refunding and Improvement Series 2001 A & B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.00% to 5.50%	2004–2021	\$ 640,000	57,440,000	58,080,000
Term	5.000% to 5.375%	2012–2025	–	17,605,000	17,605,000
			640,000	75,045,000	75,685,000
	Add: unamortized premium		–	4,819,379	4,819,379
	Less: deferred loss		–	(4,574,623)	(4,574,623)
			\$ 640,000	75,289,756	75,929,756

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 3,993,800	640,000
2005	3,967,900	665,000
2006	3,941,000	695,000
2007	3,913,000	720,000
2008	3,883,900	750,000
2009–2013	18,417,097	16,755,000
2014–2018	10,515,566	33,710,000
2019–2023	2,705,763	18,430,000
2024–2025	210,000	3,320,000
Total	\$ 51,548,026	75,685,000

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.

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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, 2003, 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, 2003, there was \$105,055,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.125% to 5.250%	2004–2012	\$ 2,910,000	29,695,000	32,605,000
Term	4.750% to 5.375%	2013–2027	–	72,450,000	72,450,000
			2,910,000	102,145,000	105,055,000
	Add: unamortized premium		–	4,048,751	4,048,751
			\$ 2,910,000	106,193,751	109,103,751

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Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 5,066,894	2,910,000
2005	4,959,094	3,295,000
2006	4,839,769	3,500,000
2007	4,707,269	3,600,000
2008	4,566,119	3,710,000
2009–2013	20,341,684	19,945,000
2014–2018	15,020,856	23,905,000
2019–2023	7,515,603	30,490,000
2024–2027	1,217,306	13,700,000
Total	\$ <u>68,234,594</u>	<u>105,055,000</u>

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.

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, 2003, 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.

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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.

(11) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1992 CLEAN WATER SERIES

As of December 31, 2003, there was \$17,500,000 of Water Development Revenue Refunding Bonds—1992 Clean 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	5.55% to 5.65%	2004–2007	\$ 5,165,000	7,280,000	12,445,000
Term	6.00%	2008–2016	–	5,055,000	5,055,000
			<u>5,165,000</u>	<u>12,335,000</u>	<u>17,500,000</u>
	Less: unamortized discount		–	(66,740)	(66,740)
			<u>\$ 5,165,000</u>	<u>12,268,260</u>	<u>17,433,260</u>

Not included in the above amounts is \$6,250,000 of bonds remaining outstanding, which the Authority defeased in 1985. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$	930,515	5,165,000
2005		664,476	3,595,000
2006		480,428	2,235,000
2007		365,026	1,450,000
2008		286,500	1,135,000
2009–2013		608,400	3,840,000
2014–2016		6,600	80,000
Total	\$	<u>3,341,945</u>	<u>17,500,000</u>

The term bonds are subject to mandatory redemption under a sinking fund requirement and are also subject to current redemption on June 1 and December 1 of each year at par, beginning June 1, 1993. Both the term and serial bonds 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 reimbursement of project costs, including interest, financed by the Working Capital Fund and the Refunding Fund are pledged as security for the bonds.

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Notes to Financial Statements

The bond resolution provides for six separate accounts designated as the Clean Water Refunding Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2003, 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 on May 1, 1993, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on the next ensuing interest payment date on all outstanding bonds, (2) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement less the mandatory sinking fund credit.
- c) To the Debt Service Reserve account on the first day of each May and November, an amount necessary to maintain investments or cash therein having a par value at least equal to \$2,700,000 through November 1, 2002, and thereafter, an amount at least equal to 10% of the maximum annual debt service requirements.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account, excluding any advance repayments, after the requirements of (a) through (c) above are met.

The trustee transfers to the Debt Service account on the first day of each November all investment income paid to the Debt Service Reserve 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 the Surplus account. Any remaining deficit in the Debt Service account is to be made up by the Debt Service Reserve account.

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

As of December 31, 2003, there was \$8,944,149 of Water Development Revenue Refunding Bonds—1992 Safe Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Capital Appreciation	5.90% to 6.00%	2004–2005	\$ 4,818,057	4,126,092	8,944,149

Not included in the above amounts is \$63,600,000 of 1987 Safe Water Series bonds remaining outstanding, which the Authority defeased in 1985. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Principal
2004	\$ 5,005,000
2005	4,550,000
Total	\$ <u>9,555,000</u>

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

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

The bond resolution provides for five separate accounts designated as 1992 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2003, there is no accrued rebate liability for these bonds.

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

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

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

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Notes to Financial Statements

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

As of December 31, 2003, there was \$59,260,000 of Water Development Revenue Refunding Bonds—1997 Safe Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 6.00%	2004–2007	\$ 13,900,000	45,360,000	59,260,000
	Add: unamortized premium		–	960,842	960,842
	Less: deferred loss		–	(2,323,472)	(2,323,472)
			\$ 13,900,000	43,997,370	57,897,370

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 3,052,920	13,900,000
2005	2,376,050	13,430,000
2006	1,626,056	17,335,000
2007	659,250	14,595,000
Total	\$ 7,714,276	59,260,000

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, 2003, there is no accrued rebate liability for these bonds.

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

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

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Notes to Financial Statements

- 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, 2003, there was \$61,940,000 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%	2004–2006	\$ 5,975,000	11,395,000	17,370,000
Term	5.50% to 6.00%	2007–2016	–	44,570,000	44,570,000
			5,975,000	55,965,000	61,940,000
	Less: unamortized discount		–	(2,594,583)	(2,594,583)
			<u>\$ 5,975,000</u>	<u>53,370,417</u>	<u>59,345,417</u>

Not included in the above amounts is \$86,045,000 of bonds remaining outstanding, which the Authority defeased in 1992 and 1999. 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 December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 3,394,213	5,975,000
2005	3,052,375	5,810,000
2006	2,720,025	5,585,000
2007	2,396,125	5,665,000
2008	2,139,775	–
2009–2013	7,131,300	27,400,000
2014–2016	924,000	11,505,000
Total	<u>\$ 21,757,813</u>	<u>61,940,000</u>

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.

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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, 2003, 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.

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

As of December 31, 2003, there was \$87,130,000 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	1.75% to 5.00%	2004–2008	\$ 22,955,000	64,175,000	87,130,000
	Add: unamortized premium		–	3,438,813	3,438,813
	Less: deferred loss		–	(4,053,413)	(4,053,413)
			\$ 22,955,000	63,560,400	86,515,400

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Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2004	\$	3,755,388	22,955,000
2005		2,637,075	23,345,000
2006		1,469,825	13,890,000
2007		937,675	23,505,000
2008		85,875	3,435,000
Total	\$	<u>8,885,838</u>	<u>87,130,000</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, 2003, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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Notes to Financial Statements

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

As of December 31, 2003, there was \$108,000,000 of Water Development Revenue Refunding Variable Rate Bonds—Pure Water Refunding Series 2002B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	Variable	2006–2018	\$ 108,000,000
		Less: deferred loss	(7,145,985)
			\$ 100,854,015

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, 2003 was 1.10%.

On December 1, 2002, the Authority entered into a sixteen-year interest rate swap agreement for \$108,000,000 of its Pure Water Refunding Series 2002B Bonds (Series 2002B Bonds). As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the Pure Water Refunding Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a \$3,010,263 swap exercise fee from the BSFP when the swap was executed. The purpose of the swap was to allow the Authority to issue synthetic fixed rate debt to achieve a 5% savings on a current refunding of a portion of its Pure Water Refunding and Improvement Series Bonds. As of December 31, 2003, the swap had a negative fair value of \$8,665,607, which was calculated using the Par-value method. The risks associated with the swap are as follows:

- a) **Credit Risk:** As of December 31, 2003, 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 swaps value. BSFP was rated Aaa by Moody’s and AAA by Standard and Poor’s as of December 31, 2003.
- b) **Basis Risk:** As of December 31, 2003, 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.

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

Year Ending December 31	Interest	Principal
2004	\$ 4,914,000	–
2005	4,914,000	–
2006	4,914,000	7,900,000
2007	4,550,000	500,000
2008	4,527,250	500,000
2009–2013	13,481,650	82,000,000
2014–2018	1,656,200	17,100,000
Total	\$ 38,957,100	108,000,000

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, 2003, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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Notes to Financial Statements

(17) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—STATE MATCH SERIES 1993

As of December 31, 2003, there was \$3,195,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1993 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
Serial	4.75%	2004	\$ 3,195,000
	Less: unamortized discount		<u>(2,353)</u>
			<u>\$ 3,192,647</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 113,406	3,195,000

The Series 1993 bonds maturing on or after December 1, 2003 are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2003, or at any time thereafter 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, 2003, 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

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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 1995

As of December 31, 2003, there was \$21,480,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.20% to 6.50%	2004–2007	\$ 5,720,000	15,760,000	21,480,000
	Add: unamortized premium		—	144,272	144,272
			\$ 5,720,000	15,904,272	21,624,272

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

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 1,174,338	5,720,000
2005	805,625	5,525,000
2006	467,495	5,280,000
2007	195,835	4,955,000
Total	\$ 2,643,293	21,480,000

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.

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The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2003, a rebate payable of \$257,119 has been accrued for these bonds.

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

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

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

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

As of December 31, 2003, there was \$59,045,000 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%	2004–2021	\$ 7,335,000	51,710,000	59,045,000
	Add: unamortized premium		–	375,062	375,062
			\$ 7,335,000	52,085,062	59,420,062

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 3,081,294	7,335,000
2005	2,684,056	6,860,000
2006	2,314,319	6,275,000
2007	1,978,544	5,570,000
2008	1,683,194	5,310,000
2009–2013	5,014,747	16,145,000
2014–2018	1,755,990	9,300,000
2019–2021	176,625	2,250,000
Total	\$ 18,688,769	59,045,000

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, 2003, a rebate payable of \$488,915 has been accrued for these bonds.

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

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

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

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

As of December 31, 2003, there was \$51,285,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2001 outstanding, as follows:

Type	Interest Rate	Maturity	Current	Long-Term	Total
Serial	3.50% to 5.25%	2004–2016	\$ 2,120,000	49,165,000	51,285,000
	Add: unamortized premium		–	2,153,223	2,153,223
	Less: deferred loss		–	(3,734,779)	(3,734,779)
			\$ 2,120,000	47,583,444	49,703,444

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 2,397,233	2,120,000
2005	2,276,614	4,955,000
2006	2,068,095	4,545,000
2007	1,846,220	4,120,000
2008	1,588,720	8,225,000
2009–2013	3,175,763	24,910,000
2014–2016	116,570	2,410,000
Total	\$ 13,469,215	51,285,000

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, 2003, 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:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding 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.

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

As of December 31, 2003, there was \$14,025,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1995 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	6.00%	2004–2005	\$ 9,015,000	5,010,000	14,025,000
	Add: unamortized premium		–	165,138	165,138
			\$ 9,015,000	5,175,138	14,190,138

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

The debt service requirements to maturity are as follows:

<u>Year Ending</u>		<u>Interest</u>	<u>Principal</u>
<u>December 31</u>			
2004	\$	711,150	9,015,000
2005		150,300	5,010,000
Total	\$	861,450	14,025,000

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

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

The bond resolution provides for 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, 2003, there is no accrued rebate liability for these bonds.

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

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

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

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

As of December 31, 2003, there was \$189,085,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.40% to 5.50%	2004-2016	\$ 5,970,000	139,615,000	145,585,000
Term	5.125%	2016-2019	—	43,500,000	43,500,000
			5,970,000	183,115,000	189,085,000
	Less: unamortized discount		—	(351,517)	(351,517)
			\$ 5,970,000	182,763,483	188,733,483

The debt service requirements to maturity are as follows:

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Year Ending December 31	Interest	Principal
2004	\$ 9,688,800	5,970,000
2005	9,393,369	6,885,000
2006	9,045,875	7,850,000
2007	8,620,363	8,930,000
2008	8,136,050	10,135,000
2009–2013	31,197,425	67,710,000
2014–2018	11,067,813	79,300,000
2019	59,066	2,305,000
Total	\$ <u>87,208,761</u>	<u>189,085,000</u>

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, 2003, there is no accrued rebate liability for these bonds.

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

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

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

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

As of December 31, 2003, there was \$192,775,000 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>Long-Term</u>
Serial	3.00% to 5.25%	2005–2023	\$ 192,775,000
	Add: unamortized premium		<u>3,775,902</u>
			<u>\$ 196,550,902</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 9,833,670	–
2005	9,833,670	370,000
2006	9,815,970	995,000
2007	9,781,520	1,330,000
2008	9,732,608	1,645,000
2009–2013	47,060,781	17,995,000
2014–2018	37,428,656	72,945,000
2019–2023	10,666,603	97,495,000
Total	<u>\$ 144,153,478</u>	<u>192,775,000</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, 2003, 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

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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 REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2003

As of December 31, 2003, there was \$161,330,000 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%	2004–2015	\$ 105,000	161,225,000	161,330,000
	Add: unamortized premium		–	18,256,409	18,256,409
	Less: deferred loss		–	(16,022,945)	(16,022,945)
			\$ 105,000	163,458,464	163,563,464

The Water Quality Series 2003 Bonds were issued to advance refund \$165,395,000 of the Water Quality Series 1995 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2003 in the amount of \$16,022,945, the Authority in effect reduced its aggregate debt service payments for a total economic gain of \$9,542,048.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 7,830,963	105,000
2005	7,766,800	5,490,000
2006	7,435,888	11,660,000
2007	6,894,863	12,955,000
2008	6,358,738	14,390,000
2009–2013	19,646,113	87,945,000
2014–2015	1,835,925	28,785,000
Total	\$ 57,769,290	161,330,000

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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, 2003, 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) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2002

As of December 31, 2003, there was \$27,405,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2004–2021	\$ 2,370,000	24,920,000	27,290,000
Term	5.00%	2022–2023	–	115,000	115,000
			2,370,000	25,035,000	27,405,000
	Less: unamortized discount		–	(6,690)	(6,690)
			\$ 2,370,000	25,028,310	27,398,310

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2004	\$ 1,084,831	2,370,000
2005	1,014,256	2,300,000
2006	944,375	2,230,000
2007	871,872	2,150,000
2008	791,494	2,075,000
2009–2013	3,090,781	10,500,000
2014–2018	727,788	4,370,000
2019–2023	112,750	1,410,000
Total	\$ 8,638,147	27,405,000

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, 2003, 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

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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.

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

As of December 31, 2003, there was \$59,615,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.000% to 5.375%	2004–2013	\$ 905,000	17,790,000	18,695,000
Term	5.00% to 5.50%	2014–2023	–	40,920,000	40,920,000
			905,000	58,710,000	59,615,000
	Add: unamortized premium		–	1,493,261	1,493,261
			<u>\$ 905,000</u>	<u>60,203,261</u>	<u>61,108,261</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 2,972,413	905,000
2005	2,943,913	1,070,000
2006	2,909,863	1,250,000
2007	2,865,769	1,450,000
2008	2,811,406	1,660,000
2009–2013	12,771,019	12,360,000
2014–2018	8,753,025	21,610,000
2019–2023	2,111,200	19,310,000
Total	<u>\$ 38,138,608</u>	<u>59,615,000</u>

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

LGA reimbursements of Drinking Water Assistance Fund project costs of 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, 2003, 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.

(27) 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, 2003, outstanding bonds and notes under this program are \$2,114,745,000.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(28) 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, 2003, 2002 and 2001 were approximately \$940,000, \$864,000, and \$793,000, 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 2003, the employee and employer contribution rates were 8.50% and 13.31%, respectively, for all Authority employees. Total required employer contributions were approximately \$125,000, \$115,000 and \$105,000 for the years ending December 31, 2003, 2002 and 2001, 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.

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, 2003, that portion was 5.0% for all Authority employees.

OPEB are advance-funded using entry-age, normal cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2001, 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.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$16.4 billion and \$4.8 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 \$47,000 for the year ending December 31, 2003, covering 19 participants.

(29) COMMITMENTS

As of December 31, 2003, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Community Assistance	\$ 22,037,772
Other Projects	3,768,455
Rural Utility Services	13,244,754
Fresh Water	78,109,440
Pure Water Refunding	79,938
Water Pollution Control Loan	427,094,234
Drinking Water Assistance	<u>78,533,047</u>
	<u>\$ 622,867,640</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

(30) TRANSFERS

Interfund transfers for the year ended December 31, 2003 consisted of the following:

Transfer to Operating from:	
Pure Water Refunding	\$ 450,917
Transfer from Working Capital to:	
Refunding	\$ (1,659,036)
Transfers to (from) Other Projects from (to):	
Rural Utility Services	3,415,574
Fresh Water	19,790,902
Safe Water Refunding	(22,875,000)
	\$ 331,476
Transfers from Rural Utility Services to:	
Other Projects	(3,415,574)
Safe Water Refunding	(1,584,426)
	\$ (5,000,000)
Transfers from Community Assistance to:	
Fresh Water	(1,605,119)
Transfers to (from) Fresh Water from (to):	
Other Projects	(19,790,902)
Community Assistance	1,605,119
Refunding	2,815,943
Safe Water Refunding	3,613,822
Pure Water Refunding	6,032,542
	\$ (5,723,476)
Transfers to (from) Refunding from (to):	
Working Capital	1,659,036
Fresh Water	(2,815,943)
Pure Water Refunding	8,075
	\$ (1,148,832)
Transfers to (from) Safe Water Refunding from (to):	
Other Projects	22,875,000
Rural Utility Services	1,584,426
Fresh Water	(3,613,822)
Pure Water Refunding	229,454
	\$ 21,075,058
Transfers to (from) Pure Water Refunding from (to):	
Operating	(450,917)
Refunding	(8,075)
Fresh Water	(6,032,542)
Safe Water Refunding	(229,454)
	\$ (6,720,988)
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, 2003, the Authority made a transfer of \$450,917 from the Pure Water Fund to the Operating Fund for the renovation of its office building. Additional one-time transfers totaling \$23,206,476 were made from the Rural Utility Services Fund and the Fresh Water Fund to the Other Projects Fund to provide additional funding for this program, and from the Other Projects Fund \$22,875,000 to the Safe Water Fund in order to call bonds.

(31) SUBSEQUENT EVENT

Since December 31, 2003, the Authority has issued additional debt. The Authority issued \$509,700,000 in Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004 in January 2004. In February 2004, the Authority also issued \$99,490,000 in Drinking Water Assistance Fund Revenue Bonds. Of this issuance, \$66,145,000 was issued as Leverage Series 2004 and \$33,345,000 as State Match Series 2004. As these bonds were not issued until 2004, they are not included in the long-term debt of the Authority as of December 31, 2003.

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**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund			
	Unallocated Reserve	Endowment Grant	Solid Waste	Local Economic Development
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ -	-	-	40,548
Investments	14,020,208	4,069,066	8,768,237	15,244,314
Loan receivables	-	-	714,497	1,436,435
Total current assets	14,020,208	4,069,066	9,482,734	16,721,297
Noncurrent assets:				
Investments	3,000,930	2,244,687	1,996,870	9,475,820
Loan receivables	-	-	6,605,874	10,281,190
Total noncurrent assets	3,000,930	2,244,687	8,602,744	19,757,010
Total assets	\$ 17,021,138	6,313,753	18,085,478	36,478,307
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	-	25,777	-	-
Total liabilities	-	25,777	-	-
<u>Net Assets</u>				
Restricted for debt and grant covenants	-	-	-	-
Unrestricted	17,021,138	6,287,976	18,085,478	36,478,307
Total net assets	17,021,138	6,287,976	18,085,478	36,478,307
Total liabilities and net assets	\$ 17,021,138	6,313,753	18,085,478	36,478,307

Trusted Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
4,960	-	-	1	4,449	-	49,958
2,034,257	4,730,970	9,689,770	4,297,653	4,973,441	18,737,539	86,565,455
<u>131,356</u>	<u>-</u>	<u>-</u>	<u>9,838</u>	<u>2,523</u>	<u>-</u>	<u>2,294,649</u>
<u>2,170,573</u>	<u>4,730,970</u>	<u>9,689,770</u>	<u>4,307,492</u>	<u>4,980,413</u>	<u>18,737,539</u>	<u>88,910,062</u>
-	498,905	2,138,814	6,640,359	-	4,512,835	30,509,220
<u>1,234,788</u>	<u>-</u>	<u>-</u>	<u>389,671</u>	<u>186,148</u>	<u>-</u>	<u>18,697,671</u>
<u>1,234,788</u>	<u>498,905</u>	<u>2,138,814</u>	<u>7,030,030</u>	<u>186,148</u>	<u>4,512,835</u>	<u>49,206,891</u>
<u><u>3,405,361</u></u>	<u><u>5,229,875</u></u>	<u><u>11,828,584</u></u>	<u><u>11,337,522</u></u>	<u><u>5,166,561</u></u>	<u><u>23,250,374</u></u>	<u><u>138,116,953</u></u>
80,001	-	-	-	15,871	-	121,649
<u>80,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,871</u>	<u>-</u>	<u>121,649</u>
-	-	-	-	-	-	-
<u>3,325,360</u>	<u>5,229,875</u>	<u>11,828,584</u>	<u>11,337,522</u>	<u>5,150,690</u>	<u>23,250,374</u>	<u>137,995,304</u>
<u>3,325,360</u>	<u>5,229,875</u>	<u>11,828,584</u>	<u>11,337,522</u>	<u>5,150,690</u>	<u>23,250,374</u>	<u>137,995,304</u>
<u><u>3,405,361</u></u>	<u><u>5,229,875</u></u>	<u><u>11,828,584</u></u>	<u><u>11,337,522</u></u>	<u><u>5,166,561</u></u>	<u><u>23,250,374</u></u>	<u><u>138,116,953</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, 2003

	Trusted Fund			
	Unallocated Reserve	Endowment Grant	Solid Waste	Local Economic Development
Operating revenues:				
Loan income	\$ -	-	412,688	290,491
Investment income	276,986	68,749	175,700	379,894
Total operating revenues	<u>276,986</u>	<u>68,749</u>	<u>588,388</u>	<u>670,385</u>
Operating expenses:				
Other	29,352	561,564	12,252	9,789
Total operating expenses	<u>29,352</u>	<u>561,564</u>	<u>12,252</u>	<u>9,789</u>
Operating income (loss)	<u>247,634</u>	<u>(492,815)</u>	<u>576,136</u>	<u>660,596</u>
Transfers in (out), net	(7,000,000)	-	(5,875,000)	(10,000,000)
Change in net assets	<u>(6,752,366)</u>	<u>(492,815)</u>	<u>(5,298,864)</u>	<u>(9,339,404)</u>
Net assets at beginning of year	23,773,504	6,780,791	23,384,342	45,817,711
Net assets at end of year	<u>\$ 17,021,138</u>	<u>6,287,976</u>	<u>18,085,478</u>	<u>36,478,307</u>

Trusted Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
436	-	-	30,409	3,926	-	737,950
<u>12,413</u>	<u>70,783</u>	<u>178,053</u>	<u>133,255</u>	<u>54,886</u>	<u>43,898</u>	<u>1,394,617</u>
12,849	70,783	178,053	163,664	58,812	43,898	2,132,567
<u>1,350</u>	<u>7,454</u>	<u>3,927</u>	<u>15,649</u>	<u>1,500</u>	<u>-</u>	<u>642,837</u>
1,350	7,454	3,927	15,649	1,500	-	642,837
<u>11,499</u>	<u>63,329</u>	<u>174,126</u>	<u>148,015</u>	<u>57,312</u>	<u>43,898</u>	<u>1,489,730</u>
-	-	-	-	-	23,206,476	331,476
11,499	63,329	174,126	148,015	57,312	23,250,374	1,821,206
<u>3,313,861</u>	<u>5,166,546</u>	<u>11,654,458</u>	<u>11,189,507</u>	<u>5,093,378</u>	<u>-</u>	<u>136,174,098</u>
<u>3,325,360</u>	<u>5,229,875</u>	<u>11,828,584</u>	<u>11,337,522</u>	<u>5,150,690</u>	<u>23,250,374</u>	<u>137,995,304</u>

OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusted Fund			
	Unallocated Reserve	Endowment Grant	Solid Waste	Local Economic Development
Operating activities:				
Operating expenses	\$ (29,352)	(13,487)	(12,252)	(9,789)
Net cash (used) by operating activities	(29,352)	(13,487)	(12,252)	(9,789)
Investing activities:				
Proceeds from maturity or sale of investments	98,806,816	40,777,940	62,652,027	47,103,071
Purchase of investments	(92,262,960)	(40,379,426)	(57,367,459)	(39,279,232)
Interest received on investments, net of purchased interest	485,496	137,274	245,680	1,392,110
Interest received on projects	-	-	426,473	294,404
Principal collected on projects	-	-	483,686	509,752
Payment for construction of projects	-	(522,301)	(553,155)	(17,768)
Net cash provided (used) by investing activities	7,029,352	13,487	5,887,252	10,002,337
Noncapital financing activities:				
Transfers (to) from other funds	(7,000,000)	-	(5,875,000)	(10,000,000)
Net cash provided (used) by noncapital financing activities	(7,000,000)	-	(5,875,000)	(10,000,000)
Net increase (decrease) in cash and cash equivalents	-	-	-	(7,452)
Cash and cash equivalents at beginning of year	-	-	-	48,000
Cash and cash equivalents at end of year	\$ -	-	-	40,548
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	247,634	(492,815)	576,136	660,596
Adjustments:				
Investment income	(276,986)	(68,749)	(175,700)	(379,894)
Operating expenses	-	548,077	-	-
Loan income	-	-	(412,688)	(290,491)
Net cash (used) by operating activities	\$ (29,352)	(13,487)	(12,252)	(9,789)

Trusted Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
(1,350)	(7,454)	(3,927)	(15,649)	(1,500)	-	(94,760)
<u>(1,350)</u>	<u>(7,454)</u>	<u>(3,927)</u>	<u>(15,649)</u>	<u>(1,500)</u>	-	<u>(94,760)</u>
288,716	26,022,455	814,760	16,710,755	181,022	23,072,392	316,429,954
(471,259)	(26,109,251)	(977,515)	(16,889,844)	(65,415)	(46,278,868)	(320,081,229)
13,064	94,250	166,682	202,890	56,780	-	2,794,226
436	-	-	30,364	3,926	-	755,603
460,869	-	-	246,199	4,971	-	1,705,477
(290,516)	-	-	(284,714)	(179,521)	-	(1,847,975)
<u>1,310</u>	<u>7,454</u>	<u>3,927</u>	<u>15,650</u>	<u>1,763</u>	<u>(23,206,476)</u>	<u>(243,944)</u>
-	-	-	-	-	23,206,476	331,476
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,206,476</u>	<u>331,476</u>
(40)	-	-	1	263	-	(7,228)
5,000	-	-	-	4,186	-	57,186
<u>4,960</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>4,449</u>	<u>-</u>	<u>49,958</u>
11,499	63,329	174,126	148,015	57,312	43,898	1,489,730
(12,413)	(70,783)	(178,053)	(133,255)	(54,886)	(43,898)	(1,394,617)
-	-	-	-	-	-	548,077
(436)	-	-	(30,409)	(3,926)	-	(737,950)
<u>(1,350)</u>	<u>(7,454)</u>	<u>(3,927)</u>	<u>(15,649)</u>	<u>(1,500)</u>	<u>-</u>	<u>(94,760)</u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Balance Sheets

December 31, 2003

	Trusted Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
<u>Assets</u>			
Noncurrent assets:			
Restricted note covenant assets:			
Investments	\$ 146,195	566,528	2,278,952
Loan receivables	466,375	4,435,334	12,800,150
Total restricted assets	612,570	5,001,862	15,079,102
Deferred note issuance expense	-	-	-
Total assets	\$ 612,570	5,001,862	15,079,102
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Accounts payable	-	-	381,815
Total current liabilities payable from restricted assets	-	-	381,815
Noncurrent liabilities:			
Water Development Revenue Notes:			
Rural Development Series 2003	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	-	381,815
 <u>Net Assets</u>			
Restricted for debt and grant covenants	612,570	5,001,862	14,697,287
Unrestricted	-	-	-
Total net assets	612,570	5,001,862	14,697,287
Total liabilities and net assets	\$ 612,570	5,001,862	15,079,102

Trusteed Fund

Rural Development 2003	Fund Total
17,414,386	20,406,061
1,742,271	19,444,130
19,156,657	39,850,191
110,521	110,521
19,267,178	39,960,712
25,325	25,325
104,909	486,724
130,234	512,049
26,700,000	26,700,000
26,700,000	26,700,000
26,830,234	27,212,049
(7,563,056)	12,748,663
-	-
(7,563,056)	12,748,663
19,267,178	39,960,712

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, 2003

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2001
Operating revenues:			
Loan income	\$ -	57,036	-
Investment income	1,610	6,240	69
Total operating revenues	1,610	63,276	69
Operating expenses:			
Interest on notes	-	-	-
Amortization of note issuance expense	-	-	-
Other	1	2,499	1
Total operating expenses	1	2,499	1
Operating income (loss)	1,609	60,777	68
Transfers in (out), net	(4,834)	(955,469)	(43,962)
Change in net assets	(3,225)	(894,692)	(43,894)
Net assets at beginning of year	615,795	5,896,554	43,894
Net assets at end of year	\$ 612,570	5,001,862	-

Trusteed Fund

Rural Development 2002	Rural Development 2003	Fund Total
321,849	3,315	382,200
<u>63,856</u>	<u>73,983</u>	<u>145,758</u>
<u>385,705</u>	<u>77,298</u>	<u>527,958</u>
49,441	95,089	144,530
66,047	17,684	83,731
<u>37,946</u>	<u>59,984</u>	<u>100,431</u>
<u>153,434</u>	<u>172,757</u>	<u>328,692</u>
<u>232,271</u>	<u>(95,459)</u>	<u>199,266</u>
<u>3,471,862</u>	<u>(7,467,597)</u>	<u>(5,000,000)</u>
<u>3,704,133</u>	<u>(7,563,056)</u>	<u>(4,800,734)</u>
<u>10,993,154</u>	<u>-</u>	<u>17,549,397</u>
<u><u>14,697,287</u></u>	<u><u>(7,563,056)</u></u>	<u><u>12,748,663</u></u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2001
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating activities:			
Operating expenses	\$ (1)	(2,499)	-
Net cash (used) by operating activities	(1)	(2,499)	-
Investing activities:			
Proceeds from maturity or sale of investments	4,834	2,500	48,796
Purchase of investments	(1,664)	(6,434)	(108)
Interest received on investments, net of purchased interest	1,664	6,433	108
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	-
Net cash provided (used) by investing activities	4,834	2,499	48,796
Noncapital financing activities:			
Note issuance expense	-	-	-
Proceeds of notes	-	-	-
Interest paid on notes, net of purchased interest	-	-	-
Redemption of notes	-	-	-
Other	(4,833)	-	-
Transfers (to) from other funds	-	-	(48,796)
Net cash provided (used) by noncapital financing activities	(4,833)	-	(48,796)
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	-	-
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	1,609	60,777	68
Adjustments:			
Investment income	(1,610)	(6,240)	(69)
Operating expenses	-	-	1
Interest on notes	-	-	-
Loan income	-	(57,036)	-
Amortization of note issuance expense	-	-	-
Net cash (used) by operating activities	\$ (1)	(2,499)	-

Trusteed Fund

Rural Development 2002	Rural Development 2003	Fund Total
(37,946)	(59,984)	(100,430)
(37,946)	(59,984)	(100,430)
14,854,510	30,114,882	45,025,522
(7,200,866)	(47,513,815)	(54,722,887)
73,896	58,528	140,629
3,179,797	897,883	4,077,680
(7,247,098)	(1,634,046)	(8,881,144)
3,660,239	(18,076,568)	(14,360,200)
-	(128,205)	(128,205)
-	26,700,000	26,700,000
(56,569)	(69,763)	(126,332)
(6,980,000)	-	(6,980,000)
-	-	(4,833)
3,414,276	(8,365,480)	(5,000,000)
(3,622,293)	18,136,552	14,460,630
-	-	-
-	-	-
-	-	-
232,271	(95,459)	199,266
(63,856)	(73,983)	(145,758)
-	-	1
49,441	95,089	144,530
(321,849)	(3,315)	(382,200)
66,047	17,684	83,731
(37,946)	(59,984)	(100,430)

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2003

	Trusted Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 299,852	-	299,852
Investments	36,772,014	54,839,016	91,611,030
Loan receivables	120,335,910	-	120,335,910
Total restricted assets	157,407,776	54,839,016	212,246,792
Other receivables	133,960	-	133,960
Deferred bond issuance expense	547,222	621,287	1,168,509
Total assets	\$ 158,088,958	55,460,303	213,549,261
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	196,650	141,091	337,741
Accounts payable	1,901,898	82,111	1,984,009
Water Development Revenue Bonds:			
Community Assistance Series 1997 & 2003	1,890,000	515,000	2,405,000
Total current liabilities payable from restricted assets	3,988,548	738,202	4,726,750
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Community Assistance Series 1997 & 2003, net of discount and premium	42,649,399	54,844,259	97,493,658
Total noncurrent liabilities	42,649,399	54,844,259	97,493,658
Total liabilities	46,637,947	55,582,461	102,220,408
 <u>Net Assets</u>			
Restricted for debt and grant covenants	111,451,011	(122,158)	111,328,853
Unrestricted	-	-	-
Total net assets	111,451,011	(122,158)	111,328,853
Total liabilities and net assets	\$ 158,088,958	55,460,303	213,549,261

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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, 2003

	Trusteed Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
Operating revenues:			
Loan income	\$ 2,228,828	-	2,228,828
Investment income	710,433	18,933	729,366
Total operating revenues	<u>2,939,261</u>	<u>18,933</u>	<u>2,958,194</u>
Operating expenses:			
Interest on bonds	2,388,804	141,091	2,529,895
Amortization of bond issuance expense	26,058	-	26,058
Other	3,376	-	3,376
Total operating expenses	<u>2,418,238</u>	<u>141,091</u>	<u>2,559,329</u>
Operating income (loss)	<u>521,023</u>	<u>(122,158)</u>	<u>398,865</u>
Nonoperating other revenues (expenses)	(7,168)	-	(7,168)
Income (loss) before transfers	<u>513,855</u>	<u>(122,158)</u>	<u>391,697</u>
Transfers in (out), net	<u>(1,605,119)</u>	<u>-</u>	<u>(1,605,119)</u>
Change in net assets	(1,091,264)	(122,158)	(1,213,422)
Net assets at beginning of year	112,542,275	-	112,542,275
Net assets at end of year	<u>\$ 111,451,011</u>	<u>(122,158)</u>	<u>111,328,853</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	1997 Community Assistance	2003 Community Assistance	Fund Total
Operating activities:			
Operating expenses	\$ (3,376)	-	(3,376)
Net cash (used) by operating activities	(3,376)	-	(3,376)
Investing activities:			
Proceeds from maturity or sale of investments	754,063,786	68,466	754,132,252
Purchase of investments	(739,697,369)	(54,888,550)	(794,585,919)
Interest received on investments, net of purchased interest	869,345	1	869,346
Interest received on projects	2,045,685	-	2,045,685
Principal collected on projects	4,717,611	-	4,717,611
Payment for construction of projects	(16,465,185)	-	(16,465,185)
Net cash provided (used) by investing activities	5,533,873	(54,820,083)	(49,286,210)
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(2,421,113)	-	(2,421,113)
Proceeds of bonds	-	55,359,259	55,359,259
Bond issuance expense	-	(539,176)	(539,176)
Redemption of bonds	(1,810,000)	-	(1,810,000)
Transfers (to) from other funds	(1,605,119)	-	(1,605,119)
Net cash provided (used) by noncapital financing activities	(5,836,232)	54,820,083	48,983,851
Net increase (decrease) in cash and cash equivalents	(305,735)	-	(305,735)
Cash and cash equivalents at beginning of year	605,587	-	605,587
Cash and cash equivalents at end of year	\$ 299,852	-	299,852
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	521,023	(122,158)	398,865
Adjustments:			
Investment income	(710,433)	(18,933)	(729,366)
Interest on bonds	2,388,804	141,091	2,529,895
Loan income	(2,228,828)	-	(2,228,828)
Amortization of bond issuance expense	26,058	-	26,058
Net cash (used) by operating activities	\$ (3,376)	-	(3,376)

**OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND**

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 427,777	256,963	495,614
Investments	21,920,946	42,693,204	28,127,468
Loan receivables	117,952,942	99,206,551	136,145,414
Total restricted assets	140,301,665	142,156,718	164,768,496
Other receivables	-	177,659	909,281
Deferred bond issuance expense	-	165,098	1,289,131
Total assets	\$ 140,301,665	142,499,475	166,966,908
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	32,355	532,861
Accounts payable	194,914	65,967	8,188
Water Development Revenue Bonds:			
Fresh Water Series 1995 - 2002	-	4,210,000	4,530,000
Total current liabilities payable from restricted assets	194,914	4,308,322	5,071,049
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Fresh Water Series 1995 - 2002, net of discount, premiums and deferred loss	-	2,977,690	121,155,929
Total noncurrent liabilities	-	2,977,690	121,155,929
Total liabilities	194,914	7,286,012	126,226,978
 <u>Net Assets</u>			
Restricted for debt and grant covenants	140,106,751	135,213,463	40,739,930
Unrestricted	-	-	-
Total net assets	140,106,751	135,213,463	40,739,930
Total liabilities and net assets	\$ 140,301,665	142,499,475	166,966,908

Trusteed Fund		
2001 Fresh Water	2002 Fresh Water	Fund Total
2	57,000	1,237,356
12,214,201	66,287,985	171,243,804
18,974,489	50,634,798	422,914,194
<u>31,188,692</u>	<u>116,979,783</u>	<u>595,395,354</u>
-	-	1,086,940
833,780	844,563	3,132,572
<u>32,022,472</u>	<u>117,824,346</u>	<u>599,614,866</u>
333,342	423,898	1,322,456
617,274	3,605,096	4,491,439
<u>640,000</u>	<u>2,910,000</u>	<u>12,290,000</u>
1,590,616	6,938,994	18,103,895
75,289,756	106,193,751	305,617,126
<u>75,289,756</u>	<u>106,193,751</u>	<u>305,617,126</u>
76,880,372	113,132,745	323,721,021
(44,857,900)	4,691,601	275,893,845
-	-	-
<u>(44,857,900)</u>	<u>4,691,601</u>	<u>275,893,845</u>
<u>32,022,472</u>	<u>117,824,346</u>	<u>599,614,866</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, 2003

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating revenues:			
Loan income	\$ 7,077,723	5,995,768	7,554,184
Investment income	372,794	635,428	537,753
Total operating revenues	<u>7,450,517</u>	<u>6,631,196</u>	<u>8,091,937</u>
Operating expenses:			
Interest on bonds	-	529,428	6,314,650
Amortization of bond issuance expense	-	82,549	64,456
Other	32,980	36,001	26,077
Total operating expenses	<u>32,980</u>	<u>647,978</u>	<u>6,405,183</u>
Operating income (loss)	<u>7,417,537</u>	<u>5,983,218</u>	<u>1,686,754</u>
Nonoperating other revenues (expenses)	-	(31,967)	1,010,311
Income (loss) before transfers	<u>7,417,537</u>	<u>5,951,251</u>	<u>2,697,065</u>
Transfers in (out), net	<u>(10,561,723)</u>	<u>(6,556,401)</u>	<u>970,754</u>
Change in net assets	(3,144,186)	(605,150)	3,667,819
Net assets at beginning of year	143,250,937	135,818,613	37,072,111
Net assets at end of year	<u>\$ 140,106,751</u>	<u>135,213,463</u>	<u>40,739,930</u>

Trusteed Fund		
2001 Fresh Water	2002 Fresh Water	Fund Total
769,508	1,249,416	22,646,599
<u>160,023</u>	<u>939,695</u>	<u>2,645,693</u>
929,531	2,189,111	25,292,292
3,895,099	4,505,063	15,244,240
37,899	35,190	220,094
<u>29,633</u>	<u>22,856</u>	<u>147,547</u>
3,962,631	4,563,109	15,611,881
<u>(3,033,100)</u>	<u>(2,373,998)</u>	<u>9,680,411</u>
-	-	978,344
<u>(3,033,100)</u>	<u>(2,373,998)</u>	<u>10,658,755</u>
<u>4,216,061</u>	<u>6,207,833</u>	<u>(5,723,476)</u>
1,182,961	3,833,835	4,935,279
<u>(46,040,861)</u>	<u>857,766</u>	<u>270,958,566</u>
<u>(44,857,900)</u>	<u>4,691,601</u>	<u>275,893,845</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating activities:			
Operating expenses	\$ (27,831)	(36,001)	(26,077)
Net cash (used) by operating activities	(27,831)	(36,001)	(26,077)
Investing activities:			
Proceeds from maturity or sale of investments	31,623,732	163,154,987	63,019,591
Purchase of investments	(21,609,136)	(157,859,367)	(58,196,387)
Interest received on investments, net of purchased interest	392,609	726,300	550,225
Interest received on projects	6,076,695	5,518,442	6,603,190
Principal collected on projects	4,068,785	4,002,945	6,895,807
Payment for construction of projects	(10,250,717)	(4,582,999)	(8,186,452)
Net cash provided by investing activities	10,301,968	10,960,308	10,685,974
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(576,541)	(6,556,338)
Redemption of bonds	-	(4,000,000)	(4,300,000)
Other	-	-	(909,281)
Transfers (to) from other funds	(10,561,723)	(6,556,399)	970,753
Net cash provided (used) by noncapital financing activities	(10,561,723)	(11,132,940)	(10,794,866)
Net increase (decrease) in cash and cash equivalents	(287,586)	(208,633)	(134,969)
Cash and cash equivalents at beginning of year	715,363	465,596	630,583
Cash and cash equivalents at end of year	\$ 427,777	256,963	495,614
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,417,537	5,983,218	1,686,754
Adjustments:			
Investment income	(372,794)	(635,428)	(537,753)
Operating expenses	5,149	-	-
Interest on bonds	-	529,428	6,314,650
Loan income	(7,077,723)	(5,995,768)	(7,554,184)
Amortization of bond issuance expense	-	82,549	64,456
Net cash (used) by operating activities	\$ (27,831)	(36,001)	(26,077)

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	Fund Total
(29,633)	(22,856)	(142,398)
(29,633)	(22,856)	(142,398)
21,276,727	4,388,097,243	4,667,172,280
(14,345,550)	(4,352,421,596)	(4,604,432,036)
171,365	993,506	2,834,005
408,191	473,642	19,080,160
283,682	347,295	15,598,514
(7,347,244)	(37,416,926)	(67,784,338)
447,171	73,164	32,468,585
(4,018,600)	(5,119,919)	(16,271,398)
(615,000)	(1,105,000)	(10,020,000)
-	23,776	(885,505)
4,216,061	6,207,833	(5,723,475)
(417,539)	6,690	(32,900,378)
(1)	56,998	(574,191)
3	2	1,811,547
2	57,000	1,237,356
(3,033,100)	(2,373,998)	9,680,411
(160,023)	(939,695)	(2,645,693)
-	-	5,149
3,895,099	4,505,063	15,244,240
(769,508)	(1,249,416)	(22,646,599)
37,899	35,190	220,094
(29,633)	(22,856)	(142,398)

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 8	89,257	89,265
Investments	126,107	8,153,971	8,280,078
Loan receivables	22,708,652	-	22,708,652
Total restricted assets	22,834,767	8,243,228	31,077,995
Deferred bond issuance expense	929,359	-	929,359
Total assets	\$ 23,764,126	8,243,228	32,007,354
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	83,439	83,439
Water Development Revenue Refunding Bonds:			
1992 Clean Water Series	5,165,000	-	5,165,000
Total current liabilities payable from restricted assets	5,165,000	83,439	5,248,439
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
1992 Clean Water Series, net of discount	12,268,260	-	12,268,260
Total noncurrent liabilities	12,268,260	-	12,268,260
Total liabilities	17,433,260	83,439	17,516,699
<u>Net Assets</u>			
Restricted for debt and grant covenants	6,330,866	8,159,789	14,490,655
Unrestricted	-	-	-
Total net assets	6,330,866	8,159,789	14,490,655
Total liabilities and net assets	\$ 23,764,126	8,243,228	32,007,354

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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, 2003

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating revenues:			
Loan income	\$ 1,569,965	-	1,569,965
Investment income	4,150	134,632	138,782
Total operating revenues	1,574,115	134,632	1,708,747
Operating expenses:			
Interest on bonds	20,992	1,266,170	1,287,162
Amortization of bond issuance expense	71,489	-	71,489
Other	8,575	4,883	13,458
Total operating expenses	101,056	1,271,053	1,372,109
Operating income (loss)	1,473,059	(1,136,421)	336,638
Transfers in (out), net	(370,942)	(777,890)	(1,148,832)
Change in net assets	1,102,117	(1,914,311)	(812,194)
Net assets at beginning of year	5,228,749	10,074,100	15,302,849
Net assets at end of year	\$ 6,330,866	8,159,789	14,490,655

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating activities:			
Operating expenses	\$ (500)	(4,883)	(5,383)
Net cash (used) by operating activities	(500)	(4,883)	(5,383)
Investing activities:			
Proceeds from maturity or sale of investments	165,742	62,471,568	62,637,310
Purchase of investments	(1,315)	(60,722,645)	(60,723,960)
Interest received on investments, net of purchased interest	5,478	149,449	154,927
Interest received on projects	-	1,941,704	1,941,704
Principal collected on projects	-	7,173,875	7,173,875
Net cash provided by investing activities	169,905	11,013,951	11,183,856
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(1,299,120)	(1,299,120)
Redemption of bonds	-	(7,255,000)	(7,255,000)
Transfers (to) from other funds	(169,397)	(2,638,469)	(2,807,866)
Net cash (used) by noncapital financing activities	(169,397)	(11,192,589)	(11,361,986)
Net increase (decrease) in cash and cash equivalents	8	(183,521)	(183,513)
Cash and cash equivalents at beginning of year	-	272,778	272,778
Cash and cash equivalents at end of year	\$ 8	89,257	89,265
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	1,473,059	(1,136,421)	336,638
Adjustments:			
Investment income	(4,150)	(134,632)	(138,782)
Operating expenses	8,075	-	8,075
Interest on bonds	20,992	1,266,170	1,287,162
Loan income	(1,569,965)	-	(1,569,965)
Amortization of bond issuance expense	71,489	-	71,489
Net cash (used) by operating activities	\$ (500)	(4,883)	(5,383)

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	-	78,847
Investments	1	5,653,826	8,918,349
Loan receivables	92,380,070	-	-
Total restricted assets	92,380,071	5,653,826	8,997,196
Other receivables	-	-	-
Deferred bond issuance expense	536,223	-	-
Total assets	\$ 92,916,294	5,653,826	8,997,196
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Water Development Revenue Refunding Bonds:			
1992 & 1997 Safe Water Series	18,718,057	-	-
Total current liabilities payable from restricted assets	18,718,057	-	-
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
1992 & 1997 Safe Water Series, net of premium and deferred loss	48,123,462	-	-
Total noncurrent liabilities	48,123,462	-	-
Total liabilities	66,841,519	-	-
<u>Net Assets</u>			
Restricted for debt and grant covenants	26,074,775	5,653,826	8,997,196
Unrestricted	-	-	-
Total net assets	26,074,775	5,653,826	8,997,196
Total liabilities and net assets	\$ 92,916,294	5,653,826	8,997,196

Trusted Fund

1997 Safe Water	Fund Total
263,967	342,814
15,004,694	29,576,870
-	92,380,070
15,268,661	122,299,754
81,613	81,613
-	536,223
15,350,274	122,917,590
267,472	267,472
-	18,718,057
267,472	18,985,529
-	48,123,462
-	48,123,462
267,472	67,108,991
15,082,802	55,808,599
-	-
15,082,802	55,808,599
15,350,274	122,917,590

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, 2003

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating revenues:			
Loan income	\$ 10,951,236	-	-
Investment income	-	116,733	120,915
Total operating revenues	10,951,236	116,733	120,915
Operating expenses:			
Interest on bonds	3,046,746	476,561	751,089
Amortization of bond issuance expense	348,492	-	-
Other	1,813,878	6,194	7,178
Total operating expenses	5,209,116	482,755	758,267
Operating income (loss)	5,742,120	(366,022)	(637,352)
Transfers in (out), net	15,868,455	(7,016,905)	(347,251)
Change in net assets	21,610,575	(7,382,927)	(984,603)
Net assets at beginning of year	4,464,200	13,036,753	9,981,799
Net assets at end of year	\$ 26,074,775	5,653,826	8,997,196

Trusted Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
-	10,951,236
<u>131,969</u>	<u>369,617</u>
131,969	11,320,853
3,635,888	7,910,284
-	348,492
<u>8,442</u>	<u>1,835,692</u>
3,644,330	10,094,468
<u>(3,512,361)</u>	<u>1,226,385</u>
<u>12,570,759</u>	<u>21,075,058</u>
9,058,398	22,301,443
<u>6,024,404</u>	<u>33,507,156</u>
<u>15,082,802</u>	<u>55,808,599</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating activities:			
Operating expenses	\$ -	(6,194)	(7,178)
Net cash (used) by operating activities	-	(6,194)	(7,178)
Investing activities:			
Proceeds from maturity or sale of investments	-	67,347,969	68,427,517
Purchase of investments	-	(59,999,561)	(67,475,541)
Interest received on investments, net of purchased interest	-	124,001	124,078
Interest received on projects	-	949,278	2,931,166
Principal collected on projects	-	1,393,324	4,302,281
Net cash provided by investing activities	-	9,815,011	8,309,501
Noncapital financing activities:			
Redemption of bonds	-	(22,875,000)	(6,530,000)
Interest paid on bonds, net of purchased interest	-	(571,875)	-
Transfers (to) from other funds	-	13,515,493	(1,801,790)
Net cash (used) by noncapital financing activities	-	(9,931,382)	(8,331,790)
Net increase (decrease) in cash and cash equivalents	-	(122,565)	(29,467)
Cash and cash equivalents at beginning of year	-	122,565	108,314
Cash and cash equivalents at end of year	\$ -	-	78,847
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	5,742,120	(366,022)	(637,352)
Adjustments:			
Investment income	-	(116,733)	(120,915)
Operating expense	1,813,878	-	-
Interest on bonds	3,046,746	476,561	751,089
Loan income	(10,951,236)	-	-
Amortization of bond issuance expense	348,492	-	-
Net cash (used) by operating activities	\$ -	(6,194)	(7,178)

Trusted Fund

1997 Safe Water	Fund Total
(8,442)	(21,814)
(8,442)	(21,814)
88,275,007	224,050,493
(97,120,784)	(224,595,886)
181,487	429,566
6,262,496	10,142,940
9,191,909	14,887,514
6,790,115	24,914,627
(12,245,000)	(41,650,000)
(3,688,215)	(4,260,090)
9,361,352	21,075,055
(6,571,863)	(24,835,035)
209,810	57,778
54,157	285,036
263,967	342,814
(3,512,361)	1,226,385
(131,969)	(369,617)
-	1,813,878
3,635,888	7,910,284
-	(10,951,236)
-	348,492
(8,442)	(21,814)
(8,442)	(21,814)

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

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 3,925,955	-	-
Investments	67,000,988	10,098	3,282
Loan receivables	264,649,756	-	-
Total restricted assets	335,576,699	10,098	3,282
Deferred bond issuance expense	2,898,139	-	-
Total assets	\$ 338,474,838	10,098	3,282
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	450,917	-	-
Accrued interest	289,872	334,819	409,500
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A&B	28,930,000	-	-
Total current liabilities payable from restricted assets	29,670,789	334,819	409,500
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A&B, net of discount, premium and deferred losses	217,784,832	-	-
Total noncurrent liabilities	217,784,832	-	-
Total liabilities	247,455,621	334,819	409,500
 <u>Net Assets</u>			
Restricted for debt and grant covenants	82,134,255	(324,721)	(406,218)
Unrestricted	8,884,962	-	-
Total net assets	91,019,217	(324,721)	(406,218)
Total liabilities and net assets	\$ 338,474,838	10,098	3,282

Trusted Fund

Fund
Total

3,925,955
67,014,368
264,649,756
335,590,079

2,898,139
338,488,218

450,917
1,034,191

28,930,000

30,415,108

217,784,832
217,784,832

248,199,940

81,403,316
8,884,962
90,288,278
338,488,218

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, 2003

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating revenues:			
Loan income	\$ 21,664,062	-	-
Investment income	1,310,328	12,447	2,679
Total operating revenues	<u>22,974,390</u>	<u>12,447</u>	<u>2,679</u>
Operating expenses:			
Interest on bonds	4,158,209	3,279,994	5,282,061
Amortization of bond issuance expense	314,348	-	-
Other	1,473,327	1,305	31,368
Total operating expenses	<u>5,945,884</u>	<u>3,281,299</u>	<u>5,313,429</u>
Operating income (loss)	<u>17,028,506</u>	<u>(3,268,852)</u>	<u>(5,310,750)</u>
Nonoperating other revenues (expenses)	2,221,180	-	-
Income (loss) before transfers	<u>19,249,686</u>	<u>(3,268,852)</u>	<u>(5,310,750)</u>
Transfers in (out), net	<u>(15,425,498)</u>	<u>3,283,779</u>	<u>5,420,731</u>
Change in net assets	3,824,188	14,927	109,981
Net assets at beginning of year	87,195,029	(339,648)	(516,199)
Net assets at end of year	<u>\$ 91,019,217</u>	<u>(324,721)</u>	<u>(406,218)</u>

Trusted Fund

Fund
Total

21,664,062
1,325,454
22,989,516

12,720,264
314,348
1,506,000
14,540,612

8,448,904

2,221,180

10,670,084

(6,720,988)
3,949,096

86,339,182
90,288,278

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating activities:			
Operating expenses	\$ (314,836)	(1,305)	(31,368)
Net cash (used) by operating activities	(314,836)	(1,305)	(31,368)
Investing activities:			
Proceeds from maturity or sale of investments	1,281,914,286	31,862,481	6,706,806
Purchase of investments	(1,288,144,340)	(31,815,580)	(6,469,629)
Interest received on investments, net of purchased interest	981,665	12,478	2,952
Interest received on projects	24,052,200	-	-
Principal collected on projects	32,859,397	-	-
Payment for construction of projects	(3,045,062)	-	-
Net cash provided by investing activities	48,618,146	59,379	240,129
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(4,048,706)	(4,474,825)	(4,955,811)
Bond issuance expense	-	-	(222,721)
Redemption of bonds	(16,955,000)	(11,425,000)	-
Other	-	(23,776)	-
Transfers (to) from other funds	(27,063,834)	15,865,527	4,928,236
Net cash (used) by noncapital financing activities	(48,067,540)	(58,074)	(250,296)
Net increase (decrease) in cash and cash equivalents	235,770	-	(41,535)
Cash and cash equivalents at beginning of year	3,690,185	-	41,535
Cash and cash equivalents at end of year	\$ 3,925,955	-	-
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	17,028,506	(3,268,852)	(5,310,750)
Adjustments:			
Investment income	(1,310,328)	(12,447)	(2,679)
Operating expense	1,158,491	-	-
Interest on bonds	4,158,209	3,279,994	5,282,061
Loan income	(21,664,062)	-	-
Amortization of bond issuance expense	314,348	-	-
Net cash (used) by operating activities	\$ (314,836)	(1,305)	(31,368)

Trusteed Fund

Fund
Total

(347,509)
(347,509)

1,320,483,573
(1,326,429,549)
997,095
24,052,200
32,859,397
(3,045,062)
48,917,654

(13,479,342)
(222,721)
(28,380,000)
(23,776)
(6,270,071)
(48,375,910)
194,235
3,731,720
3,925,955

8,448,904

(1,325,454)
1,158,491
12,720,264
(21,664,062)
314,348
(347,509)

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

Schedule of Combining Balance Sheets

December 31, 2003

	Trusted Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 4,225,871	-	-
Investments	214,995,623	1,500,080	3,719,491
Loan receivables	1,578,942,874	-	-
Total restricted assets	1,798,164,368	1,500,080	3,719,491
Other receivables	2,153,363	-	-
Deferred bond issuance expense	-	-	64,861
Total assets	\$ 1,800,317,731	1,500,080	3,784,352
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	12,647
Accounts payable	18,965,823	-	-
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1993-2001	-	-	3,192,647
Water Quality Series 1995-2003	-	-	-
Total current liabilities payable from restricted assets	18,965,823	-	3,205,294
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1993-2001, net of discount, premiums and deferred loss	-	-	-
Water Quality Series 1995-2003, net of discount, premiums and deferred loss	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	18,965,823	-	3,205,294
<u>Net Assets</u>			
Restricted for debt and grant covenants	1,781,351,908	1,500,080	579,058
Unrestricted	-	-	-
Total net assets	1,781,351,908	1,500,080	579,058
Total liabilities and net assets	\$ 1,800,317,731	1,500,080	3,784,352

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	-	-	2	1	1
5,917,632	14,137,457	3,173,574	17,073,893	33,246,301	24,601,185
-	-	-	-	-	-
<u>5,917,632</u>	<u>14,137,457</u>	<u>3,173,574</u>	<u>17,073,895</u>	<u>33,246,302</u>	<u>24,601,186</u>
-	-	-	213,813	2,411,793	-
316,356	560,937	348,629	118,405	1,655,832	-
<u>6,233,988</u>	<u>14,698,394</u>	<u>3,522,203</u>	<u>17,406,113</u>	<u>37,313,927</u>	<u>24,601,186</u>
105,677	265,299	201,317	70,125	813,379	-
257,119	488,915	-	-	-	95,758
5,720,000	7,335,000	2,120,000	-	-	-
-	-	-	9,015,000	5,970,000	-
<u>6,082,796</u>	<u>8,089,214</u>	<u>2,321,317</u>	<u>9,085,125</u>	<u>6,783,379</u>	<u>95,758</u>
15,904,272	52,085,062	47,583,444	-	-	-
-	-	-	5,175,138	182,763,483	-
<u>15,904,272</u>	<u>52,085,062</u>	<u>47,583,444</u>	<u>5,175,138</u>	<u>182,763,483</u>	<u>-</u>
<u>21,987,068</u>	<u>60,174,276</u>	<u>49,904,761</u>	<u>14,260,263</u>	<u>189,546,862</u>	<u>95,758</u>
(15,753,080)	(45,475,882)	(46,382,558)	3,145,850	(152,232,935)	24,505,428
-	-	-	-	-	-
<u>(15,753,080)</u>	<u>(45,475,882)</u>	<u>(46,382,558)</u>	<u>3,145,850</u>	<u>(152,232,935)</u>	<u>24,505,428</u>
<u>6,233,988</u>	<u>14,698,394</u>	<u>3,522,203</u>	<u>17,406,113</u>	<u>37,313,927</u>	<u>24,601,186</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Balance Sheets, Continued

December 31, 2003

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 1	-	4,225,876
Investments	80,551,610	9,405	398,926,251
Loan receivables	-	-	1,578,942,874
Total restricted assets	80,551,611	9,405	1,982,095,001
Other receivables	-	-	4,778,969
Deferred bond issuance expense	1,486,689	1,149,710	5,701,419
Total assets	\$ 82,038,300	1,159,115	1,992,575,389
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	819,474	652,644	2,940,562
Accounts payable	-	-	19,807,615
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1993-2001	-	-	18,367,647
Water Quality Series 1995-2003	-	105,000	15,090,000
Total current liabilities payable from restricted assets	819,474	757,644	56,205,824
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1993-2001, net of discount, premiums and deferred loss	-	-	115,572,778
Water Quality Series 1995-2003, net of discount, premiums and deferred loss	196,550,902	163,458,464	547,947,987
Total noncurrent liabilities	196,550,902	163,458,464	663,520,765
Total liabilities	197,370,376	164,216,108	719,726,589
 <u>Net Assets</u>			
Restricted for debt and grant covenants	(115,332,076)	(163,056,993)	1,272,848,800
Unrestricted	-	-	-
Total net assets	(115,332,076)	(163,056,993)	1,272,848,800
Total liabilities and net assets	\$ 82,038,300	1,159,115	1,992,575,389

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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, 2003

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 58,095,492	-	-
Investment income	2,136,346	18,273	116,524
Total operating revenues	60,231,838	18,273	116,524
Operating expenses:			
Interest on bonds	-	-	260,287
Amortization of bond issuance expense	-	-	64,863
Other	4,491,680	-	-
Total operating expenses	4,491,680	-	325,150
Operating income (loss)	55,740,158	18,273	(208,626)
Nonoperating other revenues (expenses)	(547,535)	-	-
Income (loss) before contributions and transfers	55,192,623	18,273	(208,626)
Contribution from U.S. EPA	52,291,154	-	-
Transfers in (out), net	13,804,629	(2,611,955)	1,141,442
Change in net assets	121,288,406	(2,593,682)	932,816
Net assets at beginning of year	1,660,063,502	4,093,762	(353,758)
Net assets at end of year	\$ 1,781,351,908	1,500,080	579,058

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	-	-	-	-	-
355,451	221,699	48,587	781,679	921,384	404,244
<u>355,451</u>	<u>221,699</u>	<u>48,587</u>	<u>781,679</u>	<u>921,384</u>	<u>404,244</u>
1,334,302	3,233,336	2,295,469	4,634,677	9,774,391	-
79,089	31,163	26,818	103,617	106,828	-
-	8,285	-	4,403	30,724	3,672
<u>1,413,391</u>	<u>3,272,784</u>	<u>2,322,287</u>	<u>4,742,697</u>	<u>9,911,943</u>	<u>3,672</u>
<u>(1,057,940)</u>	<u>(3,051,085)</u>	<u>(2,273,700)</u>	<u>(3,961,018)</u>	<u>(8,990,559)</u>	<u>400,572</u>
(24,805)	508,515	60,891	172,875	1,110,057	-
<u>(1,082,745)</u>	<u>(2,542,570)</u>	<u>(2,212,809)</u>	<u>(3,788,143)</u>	<u>(7,880,502)</u>	<u>400,572</u>
-	-	-	-	-	-
6,921,659	(971,886)	7,897,908	174,332,748	6,107,905	(29,815,974)
<u>5,838,914</u>	<u>(3,514,456)</u>	<u>5,685,099</u>	<u>170,544,605</u>	<u>(1,772,597)</u>	<u>(29,415,402)</u>
<u>(21,591,994)</u>	<u>(41,961,426)</u>	<u>(52,067,657)</u>	<u>(167,398,755)</u>	<u>(150,460,338)</u>	<u>53,920,830</u>
<u>(15,753,080)</u>	<u>(45,475,882)</u>	<u>(46,382,558)</u>	<u>3,145,850</u>	<u>(152,232,935)</u>	<u>24,505,428</u>

(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, 2003

	Trusteed Fund		
	2002	2003	Fund
	Water Quality Bond Proceeds	Water Quality Bond Proceeds	Total
Operating revenues:			
Loan income	\$ -	-	58,095,492
Investment income	1,143,348	12,384	6,159,919
Total operating revenues	1,143,348	12,384	64,255,411
Operating expenses:			
Interest on bonds	9,552,539	3,807,863	34,892,864
Amortization of bond issuance expense	76,240	47,905	536,523
Other	20,821	2,608	4,562,193
Total operating expenses	9,649,600	3,858,376	39,991,580
Operating income (loss)	(8,506,252)	(3,845,992)	24,263,831
Nonoperating other revenues (expenses)	-	-	1,279,998
Income (loss) before contributions and transfers	(8,506,252)	(3,845,992)	25,543,829
Contribution from U.S. EPA	-	-	52,291,154
Transfers in (out), net	(17,595,475)	(159,211,001)	-
Change in net assets	(26,101,727)	(163,056,993)	77,834,983
Net assets at beginning of year	(89,230,349)	-	1,195,013,817
Net assets at end of year	\$ (115,332,076)	(163,056,993)	1,272,848,800

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OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating activities:			
Operating expenses	\$ (4,491,680)	-	-
Net cash (used) by operating activities	(4,491,680)	-	-
Investing activities:			
Proceeds from maturity or sale of investments	9,202,109,707	90,565,209	153,880,702
Purchase of investments	(9,213,371,868)	(87,973,610)	(151,545,593)
Interest received on investments, net of purchased interest	2,195,394	20,354	131,229
Interest received on projects	50,097,095	-	-
Principal collected on projects	75,587,371	-	-
Payment for construction of projects	(178,279,778)	-	-
Net cash provided (used) by investing activities	(61,662,079)	2,611,953	2,466,338
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	-	(267,780)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	-	(3,340,000)
Contribution from U.S. EPA	50,137,791	-	-
Other	-	-	-
Transfers (to) from other funds	13,804,624	(2,611,953)	1,141,442
Net cash provided (used) by noncapital financing activities	63,942,415	(2,611,953)	(2,466,338)
Net increase (decrease) in cash and cash equivalents	(2,211,344)	-	-
Cash and cash equivalents at beginning of year	6,437,215	-	-
Cash and cash equivalents at end of year	\$ 4,225,871	-	-
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	55,740,158	18,273	(208,626)
Adjustments:			
Investment income	(2,136,346)	(18,273)	(116,524)
Interest on bonds	-	-	260,287
Loan income	(58,095,492)	-	-
Amortization of bond issuance expense	-	-	64,863
Net cash (used) by operating activities	\$ (4,491,680)	-	-

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	(8,285)	-	(4,403)	(30,724)	(3,672)
-	(8,285)	-	(4,403)	(30,724)	(3,672)
48,218,998 (48,056,048)	602,353,080 (590,698,181)	26,927,918 (30,091,801)	54,115,184 (52,643,531)	61,847,798 (53,729,451)	30,032,938 (680,074)
354,814	507,591	47,309	783,273	937,776	448,901
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
517,764	12,162,490	(3,116,574)	2,254,926	9,056,123	29,801,765
(1,554,425)	(3,502,319)	(2,476,333)	(5,628,675)	(9,938,305)	-
-	-	-	-	-	-
-	-	-	-	-	-
(5,885,000)	(7,680,000)	(2,305,000)	(187,645,163)	(5,195,000)	-
-	-	-	-	-	-
-	-	-	-	-	17,882
6,921,661	(971,886)	7,897,907	191,023,316	6,107,906	(29,815,974)
(517,764)	(12,154,205)	3,116,574	(2,250,522)	(9,025,399)	(29,798,092)
-	-	-	1	-	1
-	-	-	1	1	-
-	-	-	2	1	1
(1,057,940)	(3,051,085)	(2,273,700)	(3,961,018)	(8,990,559)	400,572
(355,451)	(221,699)	(48,587)	(781,679)	(921,384)	(404,244)
1,334,302	3,233,336	2,295,469	4,634,677	9,774,391	-
-	-	-	-	-	-
79,089	31,163	26,818	103,617	106,828	-
-	(8,285)	-	(4,403)	(30,724)	(3,672)

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Cash Flows, Continued

Year ended December 31, 2003

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	Fund Total
Operating activities:			
Operating expenses	\$ (20,821)	(2,608)	(4,562,193)
Net cash (used) by operating activities	(20,821)	(2,608)	(4,562,193)
Investing activities:			
Proceeds from maturity or sale of investments	77,457,494	9,505,555	10,357,014,583
Purchase of investments	(45,952,764)	(9,514,954)	(10,284,257,875)
Interest received on investments, net of purchased interest	1,197,967	12,380	6,636,988
Interest received on projects	-	-	50,097,095
Principal collected on projects	-	-	75,587,371
Payment for construction of projects	-	-	(178,279,778)
Net cash provided (used) by investing activities	32,702,697	2,981	26,798,384
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(9,928,520)	(3,873,831)	(37,170,188)
Proceeds of bonds	-	181,072,642	181,072,642
Bond issuance expense	-	(1,197,615)	(1,197,615)
Redemption of bonds	(5,140,000)	(100,000)	(217,290,163)
Contribution from U.S. EPA	-	-	50,137,791
Other	(17,882)	-	-
Transfers (to) from other funds	(17,595,474)	(175,901,569)	-
Net cash provided (used) by noncapital financing activities	(32,681,876)	(373)	(24,447,533)
Net increase (decrease) in cash and cash equivalents	-	-	(2,211,342)
Cash and cash equivalents at beginning of year	1	-	6,437,218
Cash and cash equivalents at end of year	\$ 1	-	4,225,876
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	(8,506,252)	(3,845,992)	24,263,831
Adjustments:			
Investment income	(1,143,348)	(12,384)	(6,159,919)
Interest on bonds	9,552,539	3,807,863	34,892,864
Loan income	-	-	(58,095,492)
Amortization of bond issuance expense	76,240	47,905	536,523
Net cash (used) by operating activities	\$ (20,821)	(2,608)	(4,562,193)

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

Schedule of Combining Balance Sheets

December 31, 2003

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 1,437,881	-	1
Investments	17,775,262	2,326,210	6,784,516
Loan receivables	146,054,806	13,594,085	-
Total restricted assets	<u>165,267,949</u>	<u>15,920,295</u>	<u>6,784,517</u>
Other receivables	105,556	-	-
Deferred bond issuance expense	-	-	248,814
Total assets	<u>\$ 165,373,505</u>	<u>15,920,295</u>	<u>7,033,331</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	91,897
Due to other funds	424,159	-	-
Accounts payable	3,833,772	-	-
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002	-	-	2,370,000
Leverage Series 2002	-	-	-
Total current liabilities payable from restricted assets	<u>4,257,931</u>	<u>-</u>	<u>2,461,897</u>
Noncurrent liabilities:			
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002, net of discount	-	-	25,028,310
Leverage Series 2002, net of premium	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>25,028,310</u>
Total liabilities	<u>4,257,931</u>	<u>-</u>	<u>27,490,207</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	161,115,574	15,920,295	(20,456,876)
Unrestricted	-	-	-
Total net assets	<u>161,115,574</u>	<u>15,920,295</u>	<u>(20,456,876)</u>
Total liabilities and net assets	<u>\$ 165,373,505</u>	<u>15,920,295</u>	<u>7,033,331</u>

Trusteed Fund

2002 Leverage Bond Proceeds	Fund Total
-	1,437,882
38,634,377	65,520,365
-	159,648,891
<u>38,634,377</u>	<u>226,607,138</u>
-	105,556
490,770	739,584
<u>39,125,147</u>	<u>227,452,278</u>
248,238	340,135
-	424,159
-	3,833,772
-	2,370,000
<u>905,000</u>	<u>905,000</u>
1,153,238	7,873,066
-	25,028,310
<u>60,203,261</u>	<u>60,203,261</u>
60,203,261	85,231,571
<u>61,356,499</u>	<u>93,104,637</u>
(22,231,352)	134,347,641
-	-
<u>(22,231,352)</u>	<u>134,347,641</u>
<u>39,125,147</u>	<u>227,452,278</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, 2003

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 5,537,275	166,760	-
Investment income	114,827	31,685	192,889
Administrative fees from projects	835,549	-	-
Total operating revenues	6,487,651	198,445	192,889
Operating expenses:			
Interest on bonds	-	-	1,108,613
Amortization of bond issuance expense	-	-	12,760
Other	2,842,260	-	6,615
Total operating expenses	2,842,260	-	1,127,988
Operating income (loss)	3,645,391	198,445	(935,099)
Contribution from U.S. EPA	19,436,902	-	-
Transfers in (out), net	23,789,590	-	(3,529,428)
Change in net assets	46,871,883	198,445	(4,464,527)
Net assets at beginning of year	114,243,691	15,721,850	(15,992,349)
Net assets at end of year	\$ 161,115,574	15,920,295	(20,456,876)

<u>Trusted Fund</u>	
2002 Leverage Bond Proceeds	Fund Total
-	5,704,035
738,142	1,077,543
-	835,549
<u>738,142</u>	<u>7,617,127</u>
2,842,808	3,951,421
25,168	37,928
10,394	2,859,269
<u>2,878,370</u>	<u>6,848,618</u>
<u>(2,140,228)</u>	<u>768,509</u>
-	19,436,902
<u>(20,260,162)</u>	-
<u>(22,400,390)</u>	<u>20,205,411</u>
169,038	114,142,230
<u>(22,231,352)</u>	<u>134,347,641</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2003

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating activities:			
Administrative fees from projects	\$ 1,095,050	-	-
Operating expenses	<u>(2,842,260)</u>	<u>-</u>	<u>(6,615)</u>
Net cash (used) by operating activities	(1,747,210)	-	(6,615)
Investing activities:			
Proceeds from maturity or sale of investments	36,306,325	3,740,140	14,559,218
Purchase of investments	(41,536,523)	(37,079)	(8,104,214)
Interest received on investments, net of purchased interest	113,681	37,079	201,893
Interest received on projects	4,731,581	-	-
Principal collected on projects	6,754,763	-	-
Payment for construction of projects	<u>(47,227,344)</u>	<u>(3,740,140)</u>	<u>-</u>
Net cash provided (used) by investing activities	(40,857,517)	-	6,656,897
Noncapital financing activities:			
Interest paid on bonds	-	-	(1,165,856)
Redemption of bonds	-	-	(1,955,000)
Contribution from U.S. EPA	19,331,346	-	-
Transfers (to) from other funds	<u>23,789,590</u>	<u>-</u>	<u>(3,529,427)</u>
Net cash provided (used) by noncapital financing activities	43,120,936	-	(6,650,283)
Net increase (decrease) in cash and cash equivalents	516,209	-	(1)
Cash and cash equivalents at beginning of year	921,672	-	2
Cash and cash equivalents at end of year	<u>\$ 1,437,881</u>	<u>-</u>	<u>1</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	3,645,391	198,445	(935,099)
Adjustments:			
Investment income	(114,827)	(31,685)	(192,889)
Interest on bonds	-	-	1,108,613
Loan income	(5,537,275)	(166,760)	-
Amortization of bond issuance expense	-	-	12,760
Net change in other assets and other liabilities	259,501	-	-
Net cash (used) by operating activities	<u>\$ (1,747,210)</u>	<u>-</u>	<u>(6,615)</u>

<u>Trusteed Fund</u>	
2002 Leverage Bond Proceeds	Fund Total
-	1,095,050
<u>(10,394)</u>	<u>(2,859,269)</u>
(10,394)	(1,764,219)
33,145,429	87,751,112
(10,277,113)	(59,954,929)
777,654	1,130,307
-	4,731,581
-	6,754,763
<u>-</u>	<u>(50,967,484)</u>
23,645,970	(10,554,650)
(2,990,413)	(4,156,269)
(385,000)	(2,340,000)
-	19,331,346
<u>(20,260,163)</u>	<u>-</u>
(23,635,576)	12,835,077
-	516,208
<u>-</u>	<u>921,674</u>
<u>-</u>	<u>1,437,882</u>
(2,140,228)	768,509
(738,142)	(1,077,543)
2,842,808	3,951,421
-	(5,704,035)
25,168	37,928
<u>-</u>	<u>259,501</u>
<u>(10,394)</u>	<u>(1,764,219)</u>

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ohio Water Development Authority
88 East Broad Street, Suite 1300
Columbus, OH 43215-3516

We have audited the financial statements of the Ohio Water Development Authority as of and for the year ended December 31, 2003, and have issued our report thereon dated March 26, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ohio Water Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within 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.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Ohio Water Development Authority in a separate letter dated March 26, 2004.

Ohio Water Development Authority
Report of Independent Accountants on Compliance
and on Internal Control Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 26, 2004



**Auditor of State
Betty Montgomery**

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

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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 6, 2004**