

**OHIO WATER
DEVELOPMENT AUTHORITY**

Financial Statements

December 31, 2006

(With Independent Auditor's Report Thereon)



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 24, 2007

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DEVELOPMENT AUTHORITY**

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of December 31, 2006, 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 23, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 23, 2007

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2006

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, 2006. 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 2006 by \$189,040,992 or 7.81%.
- During 2006, the Authority's loan receivable balance increased by \$387,722,853 or 11.91%.
- In 2006, the Authority earned \$69,007,064 in investment income, which is a \$21,419,914 or 45.01% increase compared to 2005.

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, 2006. 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 14-60 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 62-121 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 2006 and 2005, 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, 2006 and December 31, 2005:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2006	2005	Dollar Change	Total Percent Change
Current assets	\$86,233	103,197	\$(16,964)	(16.44%)
Noncurrent restricted assets	5,047,441	4,933,952	113,489	2.30%
Noncurrent unrestricted assets	111,546	80,666	30,880	38.28%
Capital assets	1,924	2,063	(139)	(6.74%)
Total assets	\$5,247,144	5,119,878	\$127,266	2.49%
Current liabilities	193,946	216,327	(22,381)	(10.35%)
Noncurrent revenue bonds and notes payable	2,442,231	2,481,619	(39,388)	(1.59%)
Other noncurrent liabilities	161	167	(6)	(3.59%)
Total liabilities	2,636,338	2,698,113	(61,775)	(2.29%)
Net assets:				
Invested in capital assets	1,924	2,063	(139)	(6.74%)
Restricted	2,448,952	2,274,289	174,663	7.68%
Unrestricted	159,930	145,413	14,517	9.98%
Total net assets	2,610,806	2,421,765	189,041	7.81%
Total liabilities and net assets	\$5,247,144	5,119,878	\$127,266	2.49%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,610,806,157 as of December 31, 2006, \$2,448,952,041 of which is restricted for debt and grant covenants.

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

During fiscal year 2006, the Authority's net assets increased by \$189,040,992 or 7.81%. The majority of this increase was due to the following:

- A \$387,722,853 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A \$259,826,438 decrease in cash, cash equivalents and investments caused by the lending of bond proceeds from bonds issued in 2004 and 2005.
- A \$56,467,525 decrease in bonds and notes payable caused by the redemption of more debt in 2006 than was newly issued.

The following table summarizes the changes in revenues and expenses for the Authority between 2006 and 2005:

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

	2006	2005	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$138,182	129,357	\$8,825	6.82%
Investment income	69,007	47,587	21,420	45.01%
Administrative fees from projects	3,701	3,657	44	1.20%
Total operating revenues	210,890	180,601	30,289	16.77%
Operating expenses:				
Interest on bonds and notes	112,525	104,130	8,395	8.06%
Amortization of bond and note issuance expense	2,067	2,092	(25)	(1.20%)
Other	15,820	16,415	(595)	(3.62%)
Total operating expenses	130,412	122,637	7,775	6.34%
Operating income	80,478	57,964	22,514	38.84%
Nonoperating other revenues, net				
Contribution from U.S. EPA	361	1,657	(1,296)	(78.21%)
	108,202	91,373	16,829	18.42%
Change in net assets	\$189,041	150,994	\$38,047	25.20%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest expense on bonds and notes. For the year ending December 31, 2006, the Authority had an increase in operating income compared to 2005 of \$22,514,140 or 38.84%. This increase was attributed to the following:

- A \$21,419,914 increase in investment income caused by larger average investment balances and an increase in the yields the Authority was able to obtain on securities traded in 2006.
- An \$8,824,382 increase in loan income caused by an increase in the loans receivable in 2006.
- An \$8,395,277 increase in interest on bonds and notes caused by a larger average bonds and notes payable balance.

Debt Administration

As of December 31, 2006, the Authority had bond and note principal outstanding of \$2,566,950,109. 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 2006 and 2005.

Outstanding Debt at December 31, 2006 and December 31, 2005
(net of discount, premiums and deferred losses)
(all amounts expressed in thousands of dollars)

	2006	2005
Revenue Bonds	\$ 2,464,960	2,608,613
Revenue Notes	101,990	14,805
Total	<u>\$ 2,566,950</u>	<u>2,623,418</u>

During 2006, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Development Revenue Notes—Rural Development Loan Advance Series 2006-A
- Drinking Water Assistance Fund Revenue Notes—Leverage Series 2006

During 2006, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Development Revenue Bonds—Fresh Water Refunding Series 2006A were issued to partially refund previously outstanding Water Development Revenue Bonds—Fresh Water Improvement Series 2004. This transaction enabled the Authority to save \$5,863,092 in future debt service payments.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The Authority continues to maintain strong ratings from Moody's and Standard & Poor's. The table below summarizes the ratings from Moody's and Standard & Poor's for the 2006 bond and note issuances of the Authority.

<u>Bond or Note Series</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Rural Development Notes	—	SP-1+
Fresh Water Bonds	Aa1	AAA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 30-57 of this report.

Contacting the Authority's Financial Management

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

OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2006

Assets	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Current assets:					
Cash and cash equivalents -- Note 2	\$ 254,982	-	26,075,317	-	-
Investments -- Note 2	2,524,691	-	54,458,113	-	-
Receivables:					
Loan and Fee receivables	1,163,569	-	1,741,497	-	-
Other	15,269	-	-	-	-
Total current assets	3,958,511	-	82,274,927	-	-
Noncurrent assets:					
Restricted grant, bond and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	32,043,080	16,977,455
Investments -- Note 2	-	-	-	141,336	25,418,329
Loan receivables	-	1,685,375	-	19,901,785	160,339,326
Total restricted assets	-	1,685,375	-	52,086,201	202,735,110
Investments -- Note 2	3,081,259	-	35,621,947	-	-
Loan receivables	-	-	26,219,494	-	-
Other receivables	-	-	-	-	-
Deferred debt issuance and other expense	-	-	-	145,592	957,257
Due from other funds -- Note 3	503,448	-	-	-	-
Capital assets, at depreciated cost	1,923,671	-	-	-	-
Total noncurrent assets	5,508,378	-	61,841,441	145,592	957,257
Total assets	\$ 9,466,889	1,685,375	144,116,368	52,231,793	203,692,367
Liabilities					
Current liabilities:					
Accounts payable	400,866	-	529,561	-	-
Total current liabilities	400,866	-	529,561	-	-
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	656,682	1,902,025
Accrued interest	-	-	-	126,583	333,098
Revenue bonds payable, net of premiums & deferred loss	-	-	-	-	4,078,344
Total current liabilities payable from restricted assets	-	-	-	783,265	6,313,467
Noncurrent liabilities:					
Compensated absences	160,619	-	-	-	-
Revenue bonds and notes payable (net of discount, premiums and deferred losses)	-	-	-	31,989,656	86,196,197
Total noncurrent liabilities	160,619	-	-	31,989,656	86,196,197
Total liabilities	561,485	-	529,561	32,772,921	92,509,664
Net Assets					
Invested in capital assets	1,923,671	-	-	-	-
Restricted for debt and grant covenants	-	1,685,375	-	19,458,872	111,182,703
Unrestricted	6,981,733	-	143,586,807	-	-
Total net assets	8,905,404	1,685,375	143,586,807	19,458,872	111,182,703
Total liabilities and net assets	\$ 9,466,889	1,685,375	144,116,368	52,231,793	203,692,367

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Note 6)	Refunding Fund	Safe Water Refunding Fund (Note 7)	Pure Water Refunding Fund (Note 8)	Water Pollution Control Loan Fund (Notes 9&10)	Drinking Water Assistance Fund (Notes 11&12)	Total Combining 2006
-	-	-	-	-	-	26,330,299
-	-	-	-	-	-	56,982,804
-	-	-	-	-	-	2,905,066
-	-	-	-	-	-	15,269
-	-	-	-	-	-	86,233,438
50,185,873	986,920	6,244,051	9,453,053	83,156,012	121,388,206	320,434,650
113,011,748	1,364	19,457,464	59,834,113	849,405,944	45,324,824	1,112,595,122
561,605,961	11,679,671	46,192,546	185,603,823	2,266,328,674	361,074,057	3,614,411,218
<u>724,803,582</u>	<u>12,667,955</u>	<u>71,894,061</u>	<u>254,890,989</u>	<u>3,198,890,630</u>	<u>527,787,087</u>	<u>5,047,440,990</u>
-	-	-	-	-	-	38,703,206
-	-	-	-	-	-	26,219,494
1,086,940	-	249,305	-	3,251,821	-	4,588,066
3,349,023	-	81,765	1,105,046	33,933,195	1,960,332	41,532,210
-	-	-	-	-	-	503,448
-	-	-	-	-	-	1,923,671
<u>4,435,963</u>	<u>-</u>	<u>331,070</u>	<u>1,105,046</u>	<u>37,185,016</u>	<u>1,960,332</u>	<u>113,470,095</u>
<u>729,239,545</u>	<u>12,667,955</u>	<u>72,225,131</u>	<u>255,996,035</u>	<u>3,236,075,646</u>	<u>529,747,419</u>	<u>5,247,144,523</u>
-	-	-	-	-	-	930,427
-	-	-	-	-	-	930,427
-	-	-	-	-	503,448	503,448
4,965,083	-	-	-	38,948,241	11,658,861	58,130,892
1,736,818	-	72,975	486,111	5,850,283	1,057,003	9,662,871
18,245,000	-	14,125,728	26,790,000	52,965,000	8,515,000	124,719,072
<u>24,946,901</u>	<u>-</u>	<u>14,198,703</u>	<u>27,276,111</u>	<u>97,763,524</u>	<u>21,734,312</u>	<u>193,016,283</u>
-	-	-	-	-	-	160,619
402,337,630	-	-	96,292,407	1,522,792,460	302,622,687	2,442,231,037
402,337,630	-	-	96,292,407	1,522,792,460	302,622,687	2,442,391,656
<u>427,284,531</u>	<u>-</u>	<u>14,198,703</u>	<u>123,568,518</u>	<u>1,620,555,984</u>	<u>324,356,999</u>	<u>2,636,338,366</u>
-	-	-	-	-	-	1,923,671
301,955,014	12,667,955	58,026,428	123,065,612	1,615,519,662	205,390,420	2,448,952,041
-	-	-	9,361,905	-	-	159,930,445
<u>301,955,014</u>	<u>12,667,955</u>	<u>58,026,428</u>	<u>132,427,517</u>	<u>1,615,519,662</u>	<u>205,390,420</u>	<u>2,610,806,157</u>
<u>729,239,545</u>	<u>12,667,955</u>	<u>72,225,131</u>	<u>255,996,035</u>	<u>3,236,075,646</u>	<u>529,747,419</u>	<u>5,247,144,523</u>

OHIO WATER DEVELOPMENT AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended December 31, 2006

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Operating revenues:					
Loan income	\$ -	122,842	985,598	401,768	2,726,292
Investment income	265,650	-	4,821,103	1,397,457	1,729,665
Administrative fees from projects	2,719,757	-	-	-	-
Total operating revenues	<u>2,985,407</u>	<u>122,842</u>	<u>5,806,701</u>	<u>1,799,225</u>	<u>4,455,957</u>
Operating expenses:					
Interest on bonds and notes	-	-	-	857,246	3,912,902
Amortization of bond and note issuance expense	-	-	-	85,660	73,500
Other	2,812,123	-	1,080,411	50,413	10,387
Total operating expenses	<u>2,812,123</u>	<u>-</u>	<u>1,080,411</u>	<u>993,319</u>	<u>3,996,789</u>
Operating income	<u>173,284</u>	<u>122,842</u>	<u>4,726,290</u>	<u>805,906</u>	<u>459,168</u>
Nonoperating other revenues (expenses)	-	-	-	(34,104)	-
Income before contributions and transfers	<u>173,284</u>	<u>122,842</u>	<u>4,726,290</u>	<u>771,802</u>	<u>459,168</u>
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 16	<u>-</u>	<u>(512,201)</u>	<u>9,165,826</u>	<u>-</u>	<u>-</u>
Change in net assets	173,284	(389,359)	13,892,116	771,802	459,168
Net assets at beginning of year	8,732,120	2,074,734	129,694,691	18,687,070	110,723,535
Net assets at end of year	<u>\$ 8,905,404</u>	<u>1,685,375</u>	<u>143,586,807</u>	<u>19,458,872</u>	<u>111,182,703</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Note 6)	Refunding Fund	Safe Water Refunding Fund (Note 7)	Pure Water Refunding Fund (Note 8)	Water Pollution Control Loan Fund (Notes 9&10)	Drinking Water Assistance Fund (Notes 11&12)	Total Combining 2006
28,518,707	747,479	6,059,026	15,541,277	71,624,622	11,453,984	138,181,595
7,974,400	125,343	1,335,329	3,373,317	41,904,563	6,080,237	69,007,064
-	-	-	-	-	981,839	3,701,596
<u>36,493,107</u>	<u>872,822</u>	<u>7,394,355</u>	<u>18,914,594</u>	<u>113,529,185</u>	<u>18,516,060</u>	<u>210,890,255</u>
19,857,578	-	1,872,716	8,960,235	66,998,673	10,065,387	112,524,737
243,314	-	81,763	625,377	843,477	114,454	2,067,545
157,054	8,372	2,413,858	2,200,773	4,532,358	2,554,130	15,819,879
<u>20,257,946</u>	<u>8,372</u>	<u>4,368,337</u>	<u>11,786,385</u>	<u>72,374,508</u>	<u>12,733,971</u>	<u>130,412,161</u>
<u>16,235,161</u>	<u>864,450</u>	<u>3,026,018</u>	<u>7,128,209</u>	<u>41,154,677</u>	<u>5,782,089</u>	<u>80,478,094</u>
466,954	-	-	-	39,116	(111,309)	360,657
<u>16,702,115</u>	<u>864,450</u>	<u>3,026,018</u>	<u>7,128,209</u>	<u>41,193,793</u>	<u>5,670,780</u>	<u>80,838,751</u>
-	-	-	-	85,520,587	22,681,654	108,202,241
<u>(5,847,271)</u>	<u>(3,365,118)</u>	<u>(64,774)</u>	<u>623,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,854,844	(2,500,668)	2,961,244	7,751,747	126,714,380	28,352,434	189,040,992
291,100,170	15,168,623	55,065,184	124,675,770	1,488,805,282	177,037,986	2,421,765,165
<u>301,955,014</u>	<u>12,667,955</u>	<u>58,026,428</u>	<u>132,427,517</u>	<u>1,615,519,662</u>	<u>205,390,420</u>	<u>2,610,806,157</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year ended December 31, 2006

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Operating activities:					
Administrative fees from projects	\$ 1,830,923	-	-	-	-
Operating expenses	(943,248)	-	(118,053)	(50,413)	(10,387)
Salaries and fringes expense	(1,466,657)	-	-	-	-
Net cash (used) by operating activities	<u>(578,982)</u>	<u>-</u>	<u>(118,053)</u>	<u>(50,413)</u>	<u>(10,387)</u>
Investing activities:					
Proceeds from maturity or sale of investments	2,912,000	-	159,595,686	-	26,120,845
Purchase of investments	(2,371,209)	-	(167,272,115)	-	(9,201,791)
Interest received on investments, net of purchased interest	-	-	3,906,735	1,293,783	1,741,262
Interest received on projects	215,791	-	854,696	-	2,438,982
Principal collected on projects	-	-	1,505,309	16,037,939	6,419,516
Payment for construction of projects	-	-	(6,802,847)	(16,935,144)	(17,979,848)
Net cash provided (used) by investing activities	<u>756,582</u>	<u>-</u>	<u>(8,212,536)</u>	<u>396,578</u>	<u>9,538,966</u>
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	-	(963,236)	(4,117,677)
Proceeds of bonds and notes	-	-	-	32,182,650	-
Bond and note issuance expense	-	-	-	(176,928)	(3,500)
Redemption of bonds and notes	-	-	-	(14,805,000)	(3,715,000)
Contribution from U.S. EPA	-	-	-	-	-
Other	(47,298)	-	630,000	(34,104)	133,960
Transfers (to) from other funds	-	-	8,535,827	-	-
Net cash provided (used) by noncapital financing activities	<u>(47,298)</u>	<u>-</u>	<u>9,165,827</u>	<u>16,203,382</u>	<u>(7,702,217)</u>
Net increase (decrease) in cash and cash equivalents	130,302	-	835,238	16,549,547	1,826,362
Cash and cash equivalents at beginning of year	124,680	-	25,240,079	15,493,533	15,151,093
Cash and cash equivalents at end of year -- Note 2	<u>\$ 254,982</u>	<u>-</u>	<u>26,075,317</u>	<u>32,043,080</u>	<u>16,977,455</u>
Reconciliation of operating income to net cash (used) by operating activities:					
Operating income	173,284	122,842	4,726,290	805,906	459,168
Adjustments:					
Investment income	(265,650)	-	(4,821,103)	(1,397,457)	(1,729,665)
Operating expenses	-	-	962,358	-	-
Interest on bonds and notes	-	-	-	857,246	3,912,902
Loan income	-	(122,842)	(985,598)	(401,768)	(2,726,292)
Amortization of bond and note issuance expense	-	-	-	85,660	73,500
Net change in other assets and other liabilities	(486,616)	-	-	-	-
Net cash (used) by operating activities	<u>\$ (578,982)</u>	<u>-</u>	<u>(118,053)</u>	<u>(50,413)</u>	<u>(10,387)</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Note 6)	Refunding Fund	Safe Water Refunding Fund (Note 7)	Pure Water Refunding Fund (Note 8)	Water Pollution Control Loan Fund (Notes 9&10)	Drinking Water Assistance Fund (Notes 11&12)	Total Combining 2006
-	-	-	-	-	1,639,281	3,470,204
(147,771)	(6,801)	(13,036)	(413,751)	(4,628,115)	(2,554,130)	(8,885,705)
-	-	-	-	-	-	(1,466,657)
<u>(147,771)</u>	<u>(6,801)</u>	<u>(13,036)</u>	<u>(413,751)</u>	<u>(4,628,115)</u>	<u>(914,849)</u>	<u>(6,882,158)</u>
941,438,525	-	14,003,723	311,714,388	6,987,737,240	22,575,009	8,466,097,416
(921,019,873)	-	(20,187,294)	(335,509,604)	(6,811,990,735)	(7,823,861)	(8,275,376,482)
7,373,246	125,641	1,186,242	2,757,710	44,559,076	5,925,260	68,868,955
26,409,834	903,683	3,891,978	14,307,248	57,006,639	9,744,143	115,772,994
29,373,642	2,594,335	14,974,673	26,962,839	102,997,667	18,342,697	219,208,617
(55,771,155)	-	-	(450,625)	(408,060,463)	(89,412,142)	(595,412,224)
<u>27,804,219</u>	<u>3,623,659</u>	<u>13,869,322</u>	<u>19,781,956</u>	<u>(27,750,576)</u>	<u>(40,648,894)</u>	<u>(840,724)</u>
(20,362,866)	-	(1,626,056)	(7,213,338)	(71,939,506)	(11,107,516)	(117,330,195)
59,399,854	-	-	-	-	70,000,000	161,582,504
(4,518,372)	-	-	-	-	(193,803)	(4,892,603)
(73,156,136)	-	(17,335,000)	(44,160,000)	(49,610,000)	(6,575,000)	(209,356,136)
-	-	-	-	85,520,587	22,681,654	108,202,241
467,179	-	-	-	-	-	1,149,737
(5,847,267)	(3,877,318)	(64,772)	623,536	-	-	(629,994)
<u>(44,017,608)</u>	<u>(3,877,318)</u>	<u>(19,025,828)</u>	<u>(50,749,802)</u>	<u>(36,028,919)</u>	<u>74,805,335</u>	<u>(61,274,446)</u>
(16,361,160)	(260,460)	(5,169,542)	(31,381,597)	(68,407,610)	33,241,592	(68,997,328)
66,547,033	1,247,380	11,413,593	40,834,650	151,563,622	88,146,614	415,762,277
<u>50,185,873</u>	<u>986,920</u>	<u>6,244,051</u>	<u>9,453,053</u>	<u>83,156,012</u>	<u>121,388,206</u>	<u>346,764,949</u>
16,235,161	864,450	3,026,018	7,128,209	41,154,677	5,782,089	80,478,094
(7,974,400)	(125,343)	(1,335,329)	(3,373,317)	(41,904,563)	(6,080,237)	(69,007,064)
9,283	1,571	2,400,822	1,787,022	(95,757)	-	5,065,299
19,857,578	-	1,872,716	8,960,235	66,998,673	10,065,387	112,524,737
(28,518,707)	(747,479)	(6,059,026)	(15,541,277)	(71,624,622)	(11,453,984)	(138,181,595)
243,314	-	81,763	625,377	843,477	114,454	2,067,545
-	-	-	-	-	657,442	170,826
<u>(147,771)</u>	<u>(6,801)</u>	<u>(13,036)</u>	<u>(413,751)</u>	<u>(4,628,115)</u>	<u>(914,849)</u>	<u>(6,882,158)</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2006

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

Authorizing Legislation

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

Reporting Entity

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

Programs

The Authority has established the following programs:

Local Communities

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Industrial

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 13. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) Working Capital Fund

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

Construction costs may be reimbursed by federal grants in amounts up to 55% of the total eligible costs. The balance of the construction costs is repaid by Local Government Agencies (LGAs) under the terms of installment contracts (loan agreements) over periods of 28.5 to 40 years with interest at 6.25% to 6.50%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

(c) Other Projects Fund – Unallocated Reserve

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

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

(d) Other Projects Fund – Interest Rate Management

The Interest Rate Management Account was established during 2004 by a resolution of the Authority and is administered by a Trustee. Initial funding for the Interest Rate Management Account was provided by the proceeds received on an interest rate swap agreement as described in Note 6.

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

(e) Other Projects Fund – Endowment Grant

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

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

(f) Other Projects Fund – Solid Waste

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

The purpose of the account is to provide financing to local governments in Ohio for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects and landfills. The balance of the construction costs are to be repaid by the solid waste facilities under terms of installment contracts over 12 to 20 years with interest at 5.60% to 5.70%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(g) Other Projects Fund – Local Economic Development

The Local Economic Development Account was established during 1995 by a resolution of the Authority and is administered by a Trustee. Funding for the Local Economic Development Account was provided by a \$4,196,200 transfer from the Safe Water Refunding Fund and a \$5,803,800 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

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

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 10 to 25 years with interest at 1.00 % to 6.62%.

(h) Other Projects Fund – Village Capital Improvements

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

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

(i) Other Projects Fund – Emergency Relief

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

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

As of December 31, 2006, the Authority has approved \$4,968,697 in grant assistance to thirty-eight communities for damage caused by flooding in Ohio.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(j) Other Projects Fund – Dam Safety

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

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety Linked Deposit Program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2006 was \$4,282,000.

(k) Other Projects Fund – Lake Erie Soil Erosion

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

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

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2006, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

(l) Other Projects Fund – Security Assistance

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

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

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2006, two loans have been awarded from this account totaling \$251,281 over 20 and 30 years.

(m) Other Projects Fund – Interest Rate Subsidy

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

(n) Rural Utility Services Fund

The Rural Utility Services Fund was established during 1996 by a resolution of the Authority and is administered by a Trustee. Initial funding for the fund was provided by a \$2,800,150 transfer from the Pure Water Refunding Fund. Additional funding was provided by the proceeds of the Water Development Revenue Notes—RUS Loan Advance Series 1996-A, Series 1998-A, Series 1999-A, Series 2000-A, Series 2001-A, Series 2002-A, Series 2003, Series 2004-A, Series 2006-A, and monetary transfers from the Fresh Water Fund.

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.90% to 4.37%.

(o) Community Assistance Fund

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

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

Initial funding for the Community Assistance Fund was provided by a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997 and Series 2003. The Water Development Revenue Refunding Bonds—Community Assistance Series 2005 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(p) Fresh Water Fund

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. The Water Development Revenue Bonds—Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002, and Series 2004 were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue—Fresh Water Series 2001B, Fresh Water Series 2005, and Fresh Water Series 2006A Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002, and Series 2004 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

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

(q) Refunding Fund

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

The Refunding Fund was established to provide additional funding necessary for the construction of LGA projects in addition to those financed by the State appropriation, referred to previously. Similar to the Working Capital Fund, certain project costs financed were reimbursed by federal grants in amounts up to 75% of the total eligible construction costs. The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 25 to 40 years with interest rates of 5.25% to 7.38%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(r) Safe Water Refunding Fund

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

Similar to the Refunding Fund and the Working Capital Fund, certain project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is paid by the LGAs under terms of installment contracts over periods of 20 to 25 years with interest rates of 7.11% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(s) Pure Water Refunding Fund

The Pure Water Refunding Fund consists of various accounts which were established by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement 1992 Series. The Water Development Revenue Refunding Bonds – Pure Water Series 2002A and Pure Water Series 2002B were issued for the purpose of refunding portions of outstanding Pure Water Series 1992 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Similar to the Refunding Fund, the Safe Water Refunding Fund and the Working Capital Fund, certain financed project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is repaid by the LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 9.48%. LGA repayments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(t) Water Pollution Control Loan Fund

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Year Awarded	Capitalization Grant	State Match
1989	\$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1992	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
2005	60,663,240	12,132,648
Total	\$ 1,360,833,974	272,170,361

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, Series 1993, Series 1995 and Series 2000 and Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004 and Series 2005B (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001 and Series 2005 and Water Quality Series 2003, Series 2004 and Series 2005 (WPCLF Bonds) were issued to refund portions of the State Match and Water Quality Series Bonds. The WPCLF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees.

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

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low-interest rate loans to qualified participants. The amount invested in this program as of December 31, 2006 was \$12,199,000.

(u) Drinking Water Assistance Fund

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

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

Year Awarded	Capitalization Grant	State Match
1998	\$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
Total	<u>\$ 263,757,400</u>	<u>52,751,480</u>

The DWAFF received additional funding from the proceeds of the Drinking Water Assistance Fund Revenue Bond Anticipation Notes—State Match Series 2001 and the Drinking Water Assistance Fund Revenue Bonds and Notes—State Match Series 2002 and Series 2004 and Leverage Series 2002, Series 2004, Series 2005B, and Series 2006. Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to refund a portion of the Leverage Series 2002 Series Bonds. The DWAFF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB pronouncements as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Authority has elected to not implement any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

(b) *Cash and Cash Equivalents*

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

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

(c) *Investments*

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

The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreements within the Fresh Water Fund and Pure Water Refunding Fund, see Notes 6 & 8, respectively.

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

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2006 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

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

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(g) Interfund Transfers/Net Assets

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) Capital Assets and Facilities

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

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	\$ 538,676	-	-	538,676
Building (useful life: 20-45 years)	887,524	-	-	887,524
Capital Improvements (useful life: 20 years)	628,314	-	-	628,314
Other (useful life: 3-10 years)	1,409,170	39,230	-	1,448,400
Total capital assets	\$ 3,463,684	39,230	-	3,502,914
Less: Accumulated Depreciation-Building	(118,234)	(37,494)	-	(155,728)
Less: Accumulated Depreciation-Cap Impr	(55,414)	(31,852)	-	(87,266)
Less: Accumulated Depreciation-Other	(1,226,803)	(109,446)	-	(1,336,249)
Capital Assets, at Depreciated Cost	\$ 2,063,233	(139,562)	-	1,923,671

(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, 2006
- Noncurrent: Due after December 31, 2007
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

(j) Revenue and Expense Classifications

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

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

(k) Risk Management

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

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$2,100,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$38,500,000. The Authority also carries premium-based medical and dental coverage for all employees.

During 2006, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

(2) CASH AND INVESTMENTS

As of December 31, 2006, the Authority's carrying amount of deposits was \$25,758,740 and bank balance of deposits was \$24,607,477. Of this amount, \$302,960 was covered by federal depository insurance, and \$25,304,517 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, 2006 was \$16,498,482. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2006, the Authority had the following investments and maturities:

Fund - Investment Type	Fair Value	Investment Maturity (in Years)			
		Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	\$ 5,605,950	2,524,691	3,081,259	-	-
Other Projects:					
U.S. Agencies	85,675,481	54,079,540	31,595,941	-	-
STAROhio	19,344,859	19,344,859	-	-	-
Money Market	6,798,911	6,798,911	-	-	-
	<u>111,819,251</u>	<u>80,223,310</u>	<u>31,595,941</u>	<u>-</u>	<u>-</u>
Rural Utility Services:					
STAROhio	22,417,739	22,417,739	-	-	-
Money Market	9,766,677	9,766,677	-	-	-
	<u>32,184,416</u>	<u>32,184,416</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Assistance:					
Investment Contract	25,353,708	21,410,206	-	-	3,943,502
STAROhio	12,019,902	12,019,902	-	-	-
Money Market	3,936,802	3,936,802	-	-	-
	<u>41,310,412</u>	<u>37,366,910</u>	<u>-</u>	<u>-</u>	<u>3,943,502</u>
Fresh Water:					
Repurchase Agreements	15,915,629	15,915,629	-	-	-
U.S. Treasuries	25,269,342	12,632,072	9,192,061	1,138,136	2,307,073
U.S. Agencies	30,245,090	10,472,855	19,772,235	-	-
Corporate Bonds	310,862	72,385	238,477	-	-
Municipal Bonds	552,405	-	552,405	-	-
Asset-Backed Securities	65,403	65,403	-	-	-
Collateralized Mortgage Oblig.	61,646	-	61,646	-	-
Investment Contract	40,378,376	34,900,821	-	-	5,477,555
STAROhio	44,376,582	44,376,582	-	-	-
Money Market	1,443,610	1,443,610	-	-	-
	<u>158,618,945</u>	<u>119,879,357</u>	<u>29,816,824</u>	<u>1,138,136</u>	<u>7,784,628</u>
Refunding:					
STAROhio	16,507	16,507	-	-	-
Money Market	583,343	583,343	-	-	-
	<u>599,850</u>	<u>599,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Safe Water Refunding:					
U.S. Agencies	19,454,010	19,454,010	-	-	-
Money Market	1,255,343	1,255,343	-	-	-
	<u>20,709,353</u>	<u>20,709,353</u>	<u>-</u>	<u>-</u>	<u>-</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Fund - Investment Type	Fair Value	Investment Maturity (in Years) - Continued			
		Less than 1	1 - 5	6 - 10	More Than 10
Pure Water:					
Repurchase Agreements	\$ 3,313,380	3,313,380	-	-	-
U.S. Treasuries	25,693,799	10,275,938	13,320,284	2,097,577	-
U.S. Agencies	29,861,695	9,953,270	19,908,425	-	-
Corporate Bonds	118,843	-	118,843	-	-
Municipal Bonds	330,623	-	330,623	-	-
Asset-Backed Securities	246,314	246,314	-	-	-
Collateralized Mortgage Oblig.	237,093	-	237,093	-	-
STAROhio	3,174,333	3,174,333	-	-	-
Money Market	3,348,836	3,348,836	-	-	-
	<u>66,324,916</u>	<u>30,312,071</u>	<u>33,915,268</u>	<u>2,097,577</u>	<u>-</u>
Water Pollution Control Loan:					
Repurchase Agreements	73,401,571	73,401,571	-	-	-
U.S. Treasuries	93,968,847	5,954,245	86,523,602	814,261	676,739
U.S. Agencies	72,427,581	41,408,511	31,019,070	-	-
Municipal Notes	70,165,278	-	70,165,278	-	-
Investment Contract	526,909,329	153,711,088	330,751,148	-	42,447,093
STAROhio	49,509,586	49,509,586	-	-	-
Money Market	24,314,077	24,314,077	-	-	-
	<u>910,696,269</u>	<u>348,299,078</u>	<u>518,459,098</u>	<u>814,261</u>	<u>43,123,832</u>
Drinking Water Assistance:					
U.S. Agencies	10,346,010	-	7,733,903	2,612,107	-
Investment Contract	34,606,002	-	29,652,650	-	4,953,352
STAROhio	44,223,297	44,223,297	-	-	-
Money Market	75,744,169	75,744,169	-	-	-
	<u>164,919,478</u>	<u>119,967,466</u>	<u>37,386,553</u>	<u>2,612,107</u>	<u>4,953,352</u>

The Authority's repurchase agreements, U.S. Treasuries, U.S. Agencies, corporate bonds, municipal bonds, asset-backed securities, and collateralized mortgage obligations are uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. As of December 31, 2006, the Authority's investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investments in repurchase agreements and investment contracts were unrated. The Authority's investments in corporate bonds, municipal bonds, asset-backed securities, and collateralized mortgage obligations were rated within the top three long-term categories or top short-term category by Moody's and/or Standard & Poor's. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAM by Standard & Poor's. The Authority's money market investments were rated AAAM by Standard & Poor's. As of December 31, 2006, 99.95% of the Authority's rated investments were rated in the highest short-term or long-term rating category.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2006, the Authority had investment balances with the following issuers which are greater than or equal to 5% of the respective fund's investment balance:

Fund	Issuer	Percent of Fund's Investments
Operating	Federal Home Loan Bank	62%
	Federal National Mortgage Association	23%
	Federal Home Loan Mortgage Corporation	10%
Other Projects	Federal Home Loan Bank	33%
	Federal Home Loan Mortgage Corporation	24%
	Federal National Mortgage Association	17%
Community Assistance	Citigroup - Investment Contract	42%
	MBIA - Investment Contract	10%
	AIGMFC - Investment Contract	10%
Fresh Water	Transamerica - Investment Contract	19%
	Citigroup - Repurchase Agreements	10%
	Federal Home Loan Mortgage Corporation	9%
	Federal National Mortgage Association	5%
Safe Water Refunding	Federal Home Loan Mortgage Corporation	59%
	Federal National Mortgage Association	23%
	Federal Home Loan Bank	11%
Pure Water Refunding	Federal National Mortgage Association	22%
	Federal Home Loan Mortgage Corporation	12%
	Federal Home Loan Bank	7%
Water Pollution Control Loan	AIGMFC - Investment Contracts	38%
	Citigroup - Investment Contract and Repurchase Agreement	24%
Drinking Water Assistance	Trinity Plus Funding Investment Contract	18%

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which are caused by the timing of pending loan repayment allocations, consisted of \$503,448 owed to the Operating Fund by the Drinking Water Assistance Fund on December 31, 2006.

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

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

Interest Rate	Maturity	Long-Term
4.00%	December 1, 2009	\$ 3,100,000
5.00%	December 1, 2009	27,900,000
		<u>31,000,000</u>
	Add: unamortized premium	989,656
		<u>\$ 31,989,656</u>

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2007	\$ 1,519,000	-
2008	1,519,000	-
2009	1,392,417	31,000,000
Total	<u>\$ 4,430,417</u>	<u>31,000,000</u>

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

The notes are collateralized exclusively by federal assistance to be received by the Authority from the United States of America, acting through Rural Development based upon assignment from the LGAs.

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

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.
- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2006, there is no accrued rebate liability for these notes.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

As of December 31, 2006, there was \$ 89,805,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
1997	Serial	6.00%	2007	\$	2,200,000	-	2,200,000
		Add: unamortized premium			18,344	-	18,344
					2,218,344	-	2,218,344
2003	Serial	2.00% to 5.00%	2007-2017		1,680,000	13,555,000	15,235,000
	Term	4.625% to 5.00%	2014-2030		-	35,435,000	35,435,000
					1,680,000	48,990,000	50,670,000
		Add: unamortized premium			-	1,290,542	1,290,542
					1,680,000	50,280,542	51,960,542
2005	Serial	3.00% to 5.25%	2007-2017		180,000	25,390,000	25,570,000
Ref.	Term	4.10% to 4.625%	2018-2024		-	11,365,000	11,365,000
					180,000	36,755,000	36,935,000
		Add: unamortized premium			-	1,745,730	1,745,730
		Less: deferred loss			-	(2,585,075)	(2,585,075)
					180,000	35,915,655	36,095,655
Community Assistance Fund Totals					4,060,000	85,745,000	89,805,000
		Add: unamortized premiums			18,344	3,036,272	3,054,616
		Less: deferred loss			-	(2,585,075)	(2,585,075)
				\$	4,078,344	86,196,197	90,274,541

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

Interest					
		1997	2003	2005	
		Series	Series	Series	Total
2007	\$	99,450	2,238,713	1,616,766	3,954,929
2008		-	2,202,838	1,594,041	3,796,879
2009		-	2,157,538	1,518,366	3,675,904
2010		-	2,103,313	1,437,129	3,540,442
2011		-	2,042,675	1,343,679	3,386,354
2012-2016		-	9,023,331	4,834,256	13,857,587
2017-2021		-	6,224,575	1,959,336	8,183,911
2022-2026		-	3,204,984	285,559	3,490,543
2027-2030		-	819,400	-	819,400
		99,450	30,017,367	14,589,132	44,705,949

Principal					
		1997	2003	2005	
		Series	Series	Series	Total
2007	\$	2,200,000	1,680,000	180,000	4,060,000
2008		-	1,715,000	2,500,000	4,215,000
2009		-	1,755,000	2,580,000	4,335,000
2010		-	1,815,000	2,655,000	4,470,000
2011		-	1,875,000	2,720,000	4,595,000
2012-2016		-	10,635,000	12,605,000	23,240,000
2017-2021		-	12,540,000	9,700,000	22,240,000
2022-2026		-	11,265,000	3,995,000	15,260,000
2027-2030		-	7,390,000	-	7,390,000
		2,200,000	50,670,000	36,935,000	89,805,000

Total					
		1997	2003	2005	
		Series	Series	Series	Total
2007	\$	2,299,450	3,918,713	1,796,766	8,014,929
2008		-	3,917,838	4,094,041	8,011,879
2009		-	3,912,538	4,098,366	8,010,904
2010		-	3,918,313	4,092,129	8,010,442
2011		-	3,917,675	4,063,679	7,981,354
2012-2016		-	19,658,331	17,439,256	37,097,587
2017-2021		-	18,764,575	11,659,336	30,423,911
2022-2026		-	14,469,984	4,280,559	18,750,543
2027-2030		-	8,209,400	-	8,209,400
	\$	2,299,450	80,687,367	51,524,132	134,510,949

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

- a) Community Assistance Series 2003 – The term bonds are subject to mandatory redemption beginning June 1, 2014. Both the term and serial bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2013, or any interest payment date thereafter at par plus accrued interest.
- b) Community Assistance Series 2005 – The term bonds are subject to mandatory redemption beginning December 1, 2018. The term bonds maturing on or after December 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2015, or any interest payment date thereafter at par plus accrued interest.

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

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, 2006, there is no accrued rebate liability for these bonds.

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

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

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

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

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Notes to Financial Statements

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

As of December 31, 2006, there was \$406,020,000 of Fresh Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
1998	Serial	5.25%	2007-2011	\$	9,560,000	36,875,000	46,435,000
		Add: unamortized premium			-	495,833	495,833
					9,560,000	37,370,833	46,930,833
2001 A	Serial	4.00%	2007-2011		720,000	3,185,000	3,905,000
2001 A	Term	5.00% to 5.375%	2012-2017		-	4,445,000	4,445,000
2001 B	Serial	4.75% to 5.50%	2012-2021		-	52,175,000	52,175,000
					720,000	59,805,000	60,525,000
		Add: unamortized premium			-	3,741,779	3,741,779
		Less: deferred loss			-	(3,852,958)	(3,852,958)
					720,000	59,693,821	60,413,821
2002	Serial	2.80% to 5.25%	2007-2012		3,600,000	19,300,000	22,900,000
	Term	4.75% to 5.375%	2013-2027		-	33,990,000	33,990,000
					3,600,000	53,290,000	56,890,000
		Add: unamortized premium			-	781,612	781,612
					3,600,000	54,071,612	57,671,612
2004	Serial	3.00% to 5.00%	2007-2014		4,365,000	36,590,000	40,955,000
	Term	5.00% to 5.25%	2015-2022		-	46,805,000	46,805,000
					4,365,000	83,395,000	87,760,000
		Add: unamortized premium			-	2,533,284	2,533,284
					4,365,000	85,928,284	90,293,284
2005	Serial	5.00% to 5.50%	2011-2025		-	103,310,000	103,310,000
Ref		Add: unamortized premium			-	12,821,808	12,821,808
		Less: deferred loss			-	(5,266,307)	(5,266,307)
					-	110,865,501	110,865,501
2006	Term	5.25%	2023-2034		-	51,100,000	51,100,000
Ref		Add: unamortized premium			-	7,399,153	7,399,153
		Less: deferred loss			-	(4,091,574)	(4,091,574)
					-	54,407,579	54,407,579
Fresh Water Fund Totals					18,245,000	387,775,000	406,020,000
		Add: unamortized premiums			-	27,773,469	27,773,469
		Less: deferred losses			-	(13,210,839)	(13,210,839)
				\$	18,245,000	402,337,630	420,582,630

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

		Interest						
		1998	2001 A&B	2002	2004	2005	2006	Total
		Series	Series	Series	Series	Series	Series	
2007	\$	2,313,938	3,248,925	2,640,044	4,182,158	5,566,913	2,682,750	20,634,728
2008		1,805,606	3,219,825	2,498,894	4,041,320	5,566,913	2,682,750	19,815,308
2009		1,274,306	3,189,525	2,344,781	3,857,383	5,566,913	2,682,750	18,915,658
2010		723,844	3,158,025	2,177,344	3,642,570	5,566,913	2,682,750	17,951,446
2011		147,394	3,125,225	2,004,619	3,412,970	5,566,913	2,682,750	16,939,871
2012-2016		-	11,058,894	7,046,213	13,051,179	23,431,113	13,413,750	68,001,149
2017-2021		-	2,867,388	4,478,063	5,326,594	12,211,925	13,413,750	38,297,720
2022-2026		-	-	2,893,581	80,500	1,030,013	10,491,469	14,495,563
2027-2031		-	-	44,531	-	-	5,062,575	5,107,106
2032-2034		-	-	-	-	-	273,919	273,919
		6,265,088	29,867,807	26,128,070	37,594,674	64,507,616	56,069,213	220,432,468

		Principal						
		1998	2001 A&B	2002	2004	2005	2006	Total
		Series	Series	Series	Series	Series	Series	
2007	\$	9,560,000	720,000	3,600,000	4,365,000	-	-	18,245,000
2008		10,015,000	750,000	3,710,000	4,705,000	-	-	19,180,000
2009		10,395,000	780,000	3,845,000	4,860,000	-	-	19,880,000
2010		10,850,000	810,000	4,000,000	5,070,000	-	-	20,730,000
2011		5,615,000	845,000	3,870,000	5,210,000	5,560,000	-	21,100,000
2012-2016		-	33,970,000	19,010,000	28,465,000	29,885,000	-	111,330,000
2017-2021		-	22,650,000	-	31,865,000	53,235,000	-	107,750,000
2022-2026		-	-	17,440,000	3,220,000	14,630,000	24,310,000	59,600,000
2027-2031		-	-	1,415,000	-	-	21,945,000	23,360,000
2032-2034		-	-	-	-	-	4,845,000	4,845,000
		46,435,000	60,525,000	56,890,000	87,760,000	103,310,000	51,100,000	406,020,000

		Total						
		1998	2001 A&B	2002	2004	2005	2006	Total
		Series	Series	Series	Series	Series	Series	
2007	\$	11,873,938	3,968,925	6,240,044	8,547,158	5,566,913	2,682,750	38,879,728
2008		11,820,606	3,969,825	6,208,894	8,746,320	5,566,913	2,682,750	38,995,308
2009		11,669,306	3,969,525	6,189,781	8,717,383	5,566,913	2,682,750	38,795,658
2010		11,573,844	3,968,025	6,177,344	8,712,570	5,566,913	2,682,750	38,681,446
2011		5,762,394	3,970,225	5,874,619	8,622,970	11,126,913	2,682,750	38,039,871
2012-2016		-	45,028,894	26,056,213	41,516,179	53,316,113	13,413,750	179,331,149
2017-2021		-	25,517,388	4,478,063	37,191,594	65,446,925	13,413,750	146,047,720
2022-2026		-	-	20,333,581	3,300,500	15,660,013	34,801,469	74,095,563
2027-2031		-	-	1,459,531	-	-	27,007,575	28,467,106
2032-2034		-	-	-	-	-	5,118,919	5,118,919
	\$	52,700,088	90,392,807	83,018,070	125,354,674	167,817,616	107,169,213	626,452,468

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Not included in the above amounts is \$191,315,000 of Fresh Water bonds remaining outstanding, which the Authority defeased in 1998, 2005, and 2006. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The Fresh Water Series 2006A Bonds were issued to advance refund \$55,055,000 of the Fresh Water Series 2004 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2006 in the amount of \$4,164,637, the Authority in effect reduced its aggregate debt service payments by \$5,863,092 and achieved an economic gain of \$2,795,808.

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

- a) Fresh Water Series 1998 – The bonds maturing on or after December 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2008, or on any interest payment thereafter at par plus accrued interest plus a premium of 1%, which diminishes to zero by June 1, 2010.
- b) Fresh Water Series 2001 A&B – The Series 2001 B bonds are not subject to redemption prior to maturity. The series A term bonds are subject to mandatory redemption beginning June 1, 2012. The series A bonds maturing on or after June 1, 2012 are also callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2011, or any interest payment thereafter at par plus accrued interest.
- c) Fresh Water Series 2002 – The term bonds are subject to mandatory redemption beginning June 1, 2013. The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, or on any interest payment thereafter at par plus accrued interest.
- d) Fresh Water Series 2004 – The term bonds are subject to mandatory redemption beginning June 1, 2015. The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, or on any interest payment thereafter at par plus accrued interest.
- e) Fresh Water Refunding Series 2005 – The series 2005 bonds are not subject to redemption prior to maturity.
- f) Fresh Water Refunding Series 2006 – The series 2006 bonds are not subject to optional redemption prior to their stated maturity. The term bonds are subject to mandatory redemption beginning December 1, 2022. The term bonds maturing on December 1, 2030 are subject to an extraordinary mandatory redemption at any time during the ninety-day period following May 27, 2007, in whole or in part, at a redemption price equal to 105% of the amortized value of the bonds.

On September 1, 2004, the Authority entered into a fifteen-year interest rate swap agreement for \$100,000,000 of its Fresh Water Series Bonds. As a result of the agreement, the Authority received interest payments from the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 1.26% for years one through three of the agreement. Starting in year four of the fifteen-year agreement, the Authority was to make interest payments to BSFP at the BMA Municipal Swap Index and receive interest payments from BSFP at 3.77%. The Authority received a \$1,324,000 swap cancellation option premium from BSFP when the swap was executed which allows BSFP a one-time option to cancel the swap at year three. The purpose of the swap was to allow the Authority to reduce its borrowing cost by synthetically converting a portion of its Fresh Water debt to variable rates. On November 28, 2006, the Authority agreed to terminate the interest rate swap agreement. The total amount received on this swap, including the sale of the swap cancellation option premium, was \$3,522,500.

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Notes to Financial Statements

On September 14, 2006, the Authority entered into a twenty-year interest rate swap agreement for \$103,310,000 of its Fresh Water Series Bonds. The effective date for this agreement is March 1, 2007. As a result of the agreement, the Authority receives interest payments from Morgan Stanley and UBS (the counterparties) based on 85.05% of the 10-year BMA swap rate and makes interest payments to the counterparties based on the weekly BMA Municipal Swap Index. As of December 31, 2006, the 10-year BMA swap rate was 3.71% and the weekly swap rate was 3.91%. The purpose of the swap is to allow the Authority to lower the net cost of borrowing for the Fresh Water Program. As of December 31, 2006, the swap had a negative fair value of \$1,395,584, which was calculated using the par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2006, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. If the credit rating of the counterparties should fall below A- by Moody's or A3 by Standard & Poor's, collateral equal to the value of the swap would be required to be posted by the counterparties. As of December 31, 2006, Morgan Stanley was rated Aa3 by Moody's and A+ by Standard & Poor's and UBS was rated Aa2 by Moody's and AA+ by Standard & Poor's.
- b) Interest rate risk: The swap increases the Authority's exposure to interest rate risk. If the weekly BMA Municipal Swap Index were to be greater than 85.05% of the 10-year BMA swap rate, the Authority could have to make payments on the swap.
- c) Termination risk: The swap may be terminated by the Authority or the counterparties for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for the counterparties falls below Baa3 for Moody's or BBB- for Standard & Poor's. Should the swap be terminated, the Authority would either require payment from the counterparties or require the counterparties to assign its obligations under the swap to a substitute counterparty. If at termination the swap had a negative fair value, the Authority would be liable to the counterparties for a payment equal to the swap's fair value.

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

The bond resolution provides for six separate accounts designated as the Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2006, 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.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

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

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

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

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

As of December 31, 2006, there was \$14,595,000 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>
Serial	6.00%	2007	\$ 14,595,000
	Add: unamortized premium		111,596
	Less: deferred loss		(580,868)
			\$ 14,125,728

Not included in the above amounts is \$29,920,000 of Safe Water 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:

Year Ending December 31	Interest	Principal
2007	\$ 659,250	14,595,000

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Notes to Financial Statements

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 Fund, 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, 2006, 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 June 1, 1997, (1) a sum which, when added to any available balance then on deposit in the Debt service account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.
- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value of one-half the average annual service charges remaining to be paid on the outstanding 1997 Safe Water Refunding Bonds.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

As of December 31, 2006, there was \$129,825,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
1992 Ref.	Term	6.00%	2007	\$	2,785,000	-	2,785,000
2002A Ref.	Serial	3.00% to 5.00%	2007-2008		23,505,000	3,435,000	26,940,000
		Add: unamortized premium			-	325,333	325,333
		Less: deferred loss			-	(1,351,138)	(1,351,138)
					<u>23,505,000</u>	<u>2,409,195</u>	<u>25,914,195</u>
2002B Ref.	Serial	Variable	2007-2018		500,000	99,600,000	100,100,000
		Less: deferred loss			-	(5,716,788)	(5,716,788)
					<u>500,000</u>	<u>93,883,212</u>	<u>94,383,212</u>
Pure Water Fund Totals					26,790,000	103,035,000	129,825,000
		Add: unamortized premium			-	325,333	325,333
		Less: deferred losses			-	(7,067,926)	(7,067,926)
				\$	<u>26,790,000</u>	<u>96,292,407</u>	<u>123,082,407</u>

Not included in the above amounts is \$45,520,000 of Pure Water bonds remaining outstanding, which the Authority defeased in 1992. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The 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, 2006 was 3.88%.

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 Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a \$3,010,263 swap exercise fee from BSFP when the swap was executed. The purpose of the swap was to allow the Authority to issue synthetic fixed rate debt to achieve a 5% savings on a current refunding of a portion of its Pure Water Refunding and Improvement Series Bonds. As of December 31, 2006, the swap had a negative fair value of \$4,339,907, which was calculated using the Par-value method. The risks associated with the swap are as follows:

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Notes to Financial Statements

- a) Credit risk: As of December 31, 2006, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard & Poor's as of December 31, 2006.
- b) Basis risk: As of December 31, 2006, the Authority was not exposed to basis risk as the interest rate on the swap was equal to the rate on the Series 2002B Bonds. Should the rate on the Series 2002B Bonds be changed to anything other than a weekly reset, the expected savings of the swap transaction may not be realized.
- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard & Poor's. Should the swap be terminated, the Authority would either require BSFP to assign its obligations under the swap to a substitute counterparty or be exposed to variable rate interest on the Series 2002B Bonds. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

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Notes to Financial Statements

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

Interest					
		1992	2002 A	2002 B *	
		Series	Series	Series	Total
2007	\$	83,550	937,675	4,550,000	5,571,225
2008		-	85,875	4,527,250	4,613,125
2009		-	-	4,288,375	4,288,375
2010		-	-	3,455,725	3,455,725
2011		-	-	2,670,850	2,670,850
2012-2016		-	-	4,547,725	4,547,725
2017-2018		-	-	175,175	175,175
		83,550	1,023,550	24,215,100	25,322,200
Principal					
		1992	2002 A	2002 B	
		Series	Series	Series	Total
2007	\$	2,785,000	23,505,000	500,000	26,790,000
2008		-	3,435,000	500,000	3,935,000
2009		-	-	18,700,000	18,700,000
2010		-	-	17,400,000	17,400,000
2011		-	-	17,100,000	17,100,000
2012-2016		-	-	41,900,000	41,900,000
2017-2018		-	-	4,000,000	4,000,000
		2,785,000	26,940,000	100,100,000	129,825,000
Total					
		1992	2002 A	2002 B	
		Series	Series	Series	Total
2007	\$	2,868,550	24,442,675	5,050,000	32,361,225
2008		-	3,520,875	5,027,250	8,548,125
2009		-	-	22,988,375	22,988,375
2010		-	-	20,855,725	20,855,725
2011		-	-	19,770,850	19,770,850
2012-2016		-	-	46,447,725	46,447,725
2017-2018		-	-	4,175,175	4,175,175
	\$	2,868,550	27,963,550	124,315,100	155,147,200

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

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Notes to Financial Statements

Prior redemption of Pure Water Fund Bonds, by series, is as follows:

- a) Pure Water Refunding Series 1992 – 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.
- b) Pure Water Refunding Series 2002A – These 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 Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, and Rebate account. As of October 14, 2006, there is no accrued rebate liability for these bonds.

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

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

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

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.

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Notes to Financial Statements

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

As of December 31, 2006, there was \$ 82,760,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—State Match Series outstanding, as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2000	Serial	5.00% to 5.50%	2007-2012	\$	5,570,000	18,930,000	24,500,000
		Add: unamortized premium			-	124,236	124,236
					5,570,000	19,054,236	24,624,236
2001	Serial	4.00% to 5.25%	2007-2016		4,120,000	35,545,000	39,665,000
Ref.		Add: unamortized premium			-	891,787	891,787
		Less: deferred loss			-	(2,872,907)	(2,872,907)
					4,120,000	33,563,880	37,683,880
2005	Serial	3.25% to 5.00%	2007-2015		5,000,000	7,390,000	12,390,000
Ref.	Term	5.25%	2016-2021		-	6,205,000	6,205,000
					5,000,000	13,595,000	18,595,000
		Add: unamortized premium			-	1,372,153	1,372,153
		Less: deferred loss			-	(1,351,970)	(1,351,970)
					5,000,000	13,615,183	18,615,183
WPCLF State Match Series Totals					14,690,000	68,070,000	82,760,000
		Add: unamortized premiums			-	2,388,176	2,388,176
		Less: deferred losses			-	(4,224,877)	(4,224,877)
				\$	14,690,000	66,233,299	80,923,299

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

Interest				
	2000	2001	2005	Total
	Series	Series	Series	
2007	\$ 1,235,150	1,846,220	813,575	3,894,945
2008	939,800	1,588,720	670,163	3,198,683
2009	644,588	1,207,945	670,163	2,522,696
2010	388,150	864,120	670,163	1,922,433
2011	208,250	563,133	670,163	1,441,546
2012-2016	91,000	657,135	2,557,294	3,305,429
2017-2021	-	-	512,138	512,138
	3,506,938	6,727,273	6,563,659	16,797,870
Principal				
	2000	2001	2005	Total
	Series	Series	Series	
2007	\$ 5,570,000	4,120,000	5,000,000	14,690,000
2008	5,310,000	8,225,000	-	13,535,000
2009	4,930,000	7,245,000	-	12,175,000
2010	3,815,000	6,175,000	-	9,990,000
2011	2,480,000	5,000,000	-	7,480,000
2012-2016	2,395,000	8,900,000	9,075,000	20,370,000
2017-2021	-	-	4,520,000	4,520,000
	24,500,000	39,665,000	18,595,000	82,760,000
Total				
	2000	2001	2005	Total
	Series	Series	Series	
2007	\$ 6,805,150	5,966,220	5,813,575	18,584,945
2008	6,249,800	9,813,720	670,163	16,733,683
2009	5,574,588	8,452,945	670,163	14,697,696
2010	4,203,150	7,039,120	670,163	11,912,433
2011	2,688,250	5,563,133	670,163	8,921,546
2012-2016	2,486,000	9,557,135	11,632,294	23,675,429
2017-2021	-	-	5,032,138	5,032,138
	\$ 28,006,938	46,392,273	25,158,659	99,557,870

Prior redemption of Water Pollution Control Loan Fund – State Match Series Bonds, by series, is as follows:

- a) State Match Series 2000 - The bonds maturing on or before June 1, 2010 are not subject to prior redemption. The bonds maturing on or after December 1, 2010 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2010, at par plus accrued interest.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- b) State Match Refunding Series 2001 – The bonds maturing on or before December 1, 2012 are not subject to prior redemption. The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.
- c) State Match Refunding Series 2005 – The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2016. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

LGA reimbursements of 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, 2006, there is a \$17,049 accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate Fund, as necessary to make any payment required under Section 148(f) of the Internal Revenue Code.

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

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Notes to Financial Statements

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

As of December 31, 2006, there was \$ 1,432,117,474 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
1997	Serial	5.00% to 5.25%	2007-2010	\$	8,930,000	27,785,000	36,715,000
		Add: unamortized premium			-	140,993	140,993
					8,930,000	27,925,993	36,855,993
2002	Serial	3.50% to 5.25%	2007-2014		1,330,000	27,630,000	28,960,000
		Add: unamortized premium			-	1,089,234	1,089,234
					1,330,000	28,719,234	30,049,234
2003	Serial	3.00% to 5.25%	2007-2015		12,955,000	131,120,000	144,075,000
		Add: unamortized premium			-	10,634,780	10,634,780
		Less: deferred loss			-	(12,017,209)	(12,017,209)
					12,955,000	129,737,571	142,692,571
2004	Serial	2.50% to 5.00%	2007-2025		15,060,000	473,510,000	488,570,000
		Add: unamortized premium			-	30,747,733	30,747,733
					15,060,000	504,257,733	519,317,733
2004	Serial	5.00%	2010-2014		-	63,655,000	63,655,000
Ref.		Add: unamortized premium			-	5,948,361	5,948,361
		Less: deferred loss			-	(4,034,695)	(4,034,695)
					-	65,568,666	65,568,666
2005	Serial	5.25% to 5.50%	2015-2023		-	215,445,000	215,445,000
Ref.		Add: unamortized premium			-	26,831,043	26,831,043
		Less: deferred loss			-	(13,807,960)	(13,807,960)
					-	228,468,083	228,468,083
2005B	Serial	4.25% to 5.00%	2008-2025		-	361,520,000	361,520,000
	CABS*	4.06% to 4.45%	2012-2017		-	93,177,474	93,177,474
					-	454,697,474	454,697,474
		Add: unamortized premium			-	17,184,407	17,184,407
					-	471,881,881	471,881,881
WPCLF Water Quality Series Totals					38,275,000	1,393,842,474	1,432,117,474
		Add: unamortized premiums			-	92,576,551	92,576,551
		Less: deferred losses			-	(29,859,864)	(29,859,864)
				\$	38,275,000	1,456,559,161	1,494,834,161

CABS* - Capital Appreciation Bonds

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Notes to Financial Statements

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

		Interest			
		1997 Series	2002 Series	2003 Series	2004 Series
2007	\$	1,770,013	1,403,263	6,894,863	23,444,745
2008		1,285,700	1,354,350	6,358,738	22,924,308
2009		743,750	1,291,438	5,618,238	22,242,995
2010		155,500	1,208,038	4,792,488	21,248,120
2011		-	1,100,663	3,983,338	19,972,495
2012-2016		-	1,888,163	7,087,975	78,274,800
2017-2021		-	-	-	40,419,500
2022-2026		-	-	-	7,660,000
		3,954,963	8,245,915	34,735,640	236,186,963

		Interest (continued)			
		2004 Ref Series	2005 Ref. Series	2005B Series	Total Interest
2007	\$	3,182,750	11,405,588	17,555,550	65,656,772
2008		3,182,750	11,405,588	17,444,650	63,956,084
2009		3,182,750	11,405,588	16,919,100	61,403,859
2010		3,182,750	11,405,588	16,001,350	57,993,834
2011		2,691,875	11,405,588	15,044,600	54,198,559
2012-2016		3,860,375	54,962,588	71,296,225	217,370,126
2017-2021		-	-	58,564,563	98,984,063
2022-2026		-	-	17,429,031	25,089,031
		19,283,250	111,990,528	230,255,069	644,652,328

		Principal			
		1997 Series	2002 Series	2003 Series	2004 Series
2007	\$	8,930,000	1,330,000	12,955,000	15,060,000
2008		10,135,000	1,645,000	14,390,000	21,375,000
2009		11,430,000	1,985,000	16,065,000	19,605,000
2010		6,220,000	2,325,000	17,870,000	24,795,000
2011		-	3,230,000	18,275,000	26,900,000
2012-2016		-	18,445,000	64,520,000	151,830,000
2017-2021		-	-	-	147,145,000
2022-2026		-	-	-	81,860,000
		36,715,000	28,960,000	144,075,000	488,570,000

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Notes to Financial Statements

Debt service requirements (continued):

Principal (continued)				
	2004 Ref Series	2005 Ref. Series	2005B Series (a)	Total Principal
2007	-	-	-	38,275,000
2008	-	-	9,205,000	56,750,000
2009	-	-	19,160,000	68,245,000
2010	6,465,000	-	18,525,000	76,200,000
2011	13,495,000	-	20,515,000	82,415,000
2012-2016	43,695,000	59,585,000	118,905,000	456,980,000
2017-2021	-	138,845,000	149,070,000	435,060,000
2022-2026	-	17,015,000	156,360,000	255,235,000
	63,655,000	215,445,000	491,740,000	1,469,160,000
Total				
	1997 Series	2002 Series	2003 Series	2004 Series
2007	10,700,013	2,733,263	19,849,863	38,504,745
2008	11,420,700	2,999,350	20,748,738	44,299,308
2009	12,173,750	3,276,438	21,683,238	41,847,995
2010	6,375,500	3,533,038	22,662,488	46,043,120
2011	-	4,330,663	22,258,338	46,872,495
2012-2016	-	20,333,163	71,607,975	230,104,800
2017-2021	-	-	-	187,564,500
2022-2026	-	-	-	89,520,000
	\$ 40,669,963	37,205,915	178,810,640	724,756,963
Total (continued)				
	2004 Ref Series	2005 Ref. Series	2005B Series (a)	Total
2007	3,182,750	11,405,588	17,555,550	103,931,772
2008	3,182,750	11,405,588	26,649,650	120,706,084
2009	3,182,750	11,405,588	36,079,100	129,648,859
2010	9,647,750	11,405,588	34,526,350	134,193,834
2011	16,186,875	11,405,588	35,559,600	136,613,559
2012-2016	47,555,375	114,547,588	190,201,225	674,350,126
2017-2021	-	138,845,000	207,634,563	534,044,063
2022-2026	-	17,015,000	173,789,031	280,324,031
	\$ 82,938,250	327,435,528	721,995,069	2,113,812,328

(a) Includes capital appreciation bonds at matured value

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Not included in the above amounts is \$294,115,000 of WPCLF Water Quality bonds remaining outstanding, which the Authority defeased in 2004 and 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

Prior redemption of Water Pollution Control Loan Fund – Water Quality Series Bonds, by series, is as follows:

- a) Water Quality Series 1997 – The bonds maturing on or after June 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2007, at par plus accrued interest plus a premium of 1%, which diminishes to zero by December 1, 2009.
- b) Water Quality Series 2002 – The bonds maturing on or after June 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, at par plus accrued interest.
- c) Water Quality Series 2003 – These bonds are not subject to mandatory or optional redemption prior to maturity.
- d) Water Quality Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.
- e) Water Quality Refunding Series 2004 – These bonds are not subject to mandatory or optional redemption prior to maturity.
- f) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.
- g) Water Quality Series 2005B – The bonds maturing on or after December 1, 2017 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2015, at par plus accrued interest.

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, 2006, 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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

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

As of December 31, 2006, there was \$51,000,000 of Drinking Water Assistance Fund (DWAF) Revenue Bonds—State Match Series outstanding, as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2002	Serial	3.375% to 5.00%	2007-2021	\$	2,150,000	18,240,000	20,390,000
	Term	5.00%	2022-2023		-	115,000	115,000
					2,150,000	18,355,000	20,505,000
Less: unamortized discount					-	(38,616)	(38,616)
					2,150,000	18,316,384	20,466,384
2004	Serial	2.25% to 5.00%	2007-2013		2,615,000	14,065,000	16,680,000
	Term	4.25% to 5.00%	2014-2025		-	13,815,000	13,815,000
					2,615,000	27,880,000	30,495,000
Add: unamortized premium					-	1,592,058	1,592,058
					2,615,000	29,472,058	32,087,058
DWAF State Match Series Totals					4,765,000	46,235,000	51,000,000
Add: unamortized premium (net)					-	1,553,442	1,553,442
					\$ 4,765,000	47,788,442	52,553,442

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Notes to Financial Statements

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

		Interest		
		2002	2004	
		Series	Series	Total
2007	\$	871,872	1,350,200	2,222,072
2008		791,494	1,269,638	2,061,132
2009		703,869	1,144,263	1,848,132
2010		624,569	1,033,938	1,658,507
2011		548,394	915,063	1,463,457
2012-2016		1,690,113	3,092,788	4,782,901
2017-2021		359,875	1,065,600	1,425,475
2022-2026		4,500	117,300	121,800
		5,594,686	9,988,790	15,583,476
		Principal		
		2002	2004	
		Series	Series	Total
2007	\$	2,150,000	2,615,000	4,765,000
2008		2,075,000	2,520,000	4,595,000
2009		2,005,000	2,470,000	4,475,000
2010		1,915,000	2,395,000	4,310,000
2011		1,815,000	2,320,000	4,135,000
2012-2016		7,275,000	10,025,000	17,300,000
2017-2021		3,155,000	6,460,000	9,615,000
2022-2026		115,000	1,690,000	1,805,000
		20,505,000	30,495,000	51,000,000
		Total		
		2002	2004	
		Series	Series	Total
2007	\$	3,021,872	3,965,200	6,987,072
2008		2,866,494	3,789,638	6,656,132
2009		2,708,869	3,614,263	6,323,132
2010		2,539,569	3,428,938	5,968,507
2011		2,363,394	3,235,063	5,598,457
2012-2016		8,965,113	13,117,788	22,082,901
2017-2021		3,514,875	7,525,600	11,040,475
2022-2026		119,500	1,807,300	1,926,800
		26,099,686	40,483,790	66,583,476

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Notes to Financial Statements

Prior redemption of Drinking Water Assistance Fund – State Match Series Bonds, by series, is as follows:

- a) State Match Series 2002 – The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.
- b) State Match Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

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, 2006, there is no accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate account, as necessary to make any payment required to be paid to the United States of America under Section 148(f) of the Code.
- e) From and after any issuance of DWAF Support Obligations and for so long as any DWAF Support Obligations remain outstanding, to the DWAF Support Obligations Debt Service Fund, the balance of the Revenues to the extent required for the payment of accrued interest on and the payment of the principal of DWAF Support Obligations.

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Notes to Financial Statements

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

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

As of December 31, 2006, there was \$251,735,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds and Notes—Leverage Series outstanding, as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2002	Serial	3.375 to 5.375%	2007-2013	\$	1,450,000	14,020,000	15,470,000
	Term	5.50%	2014		-	3,420,000	3,420,000
					1,450,000	17,440,000	18,890,000
		Add: unamortized premium			-	166,778	166,778
					1,450,000	17,606,778	19,056,778
2004	Serial	2.25% to 5.00%	2007-2013		1,360,000	12,510,000	13,870,000
	Term	4.50% to 5.00%	2014-2025		-	51,660,000	51,660,000
					1,360,000	64,170,000	65,530,000
		Add: unamortized premium			-	2,868,515	2,868,515
					1,360,000	67,038,515	68,398,515
2005	Serial	5.00% to 5.25%	2015-2023		-	18,705,000	18,705,000
	Ref. Term	5.25%	2019-2022		-	17,860,000	17,860,000
					-	36,565,000	36,565,000
		Add: unamortized premium			-	4,574,031	4,574,031
		Less: deferred loss			-	(2,622,031)	(2,622,031)
					-	38,517,000	38,517,000
2005B	Serial	3.25% to 5.00%	2007-2026		940,000	23,445,000	24,385,000
	Term	4.50% to 5.00%	2016-2025		-	36,365,000	36,365,000
					940,000	59,810,000	60,750,000
		Add: unamortized premium			-	1,861,952	1,861,952
					940,000	61,671,952	62,611,952
2006	Note	5.00%	2008		-	70,000,000	70,000,000
DWAF Leverage Series Totals					3,750,000	247,985,000	251,735,000
		Add: unamortized premiums			-	9,471,276	9,471,276
		Less: deferred loss			-	(2,622,031)	(2,622,031)
				\$	3,750,000	254,834,245	258,584,245

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

		Interest					
		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2007	\$	821,794	2,908,988	1,910,175	2,771,713	-	8,412,670
2008		767,431	2,876,200	1,910,175	2,732,200	5,259,722	13,545,728
2009		698,531	2,834,819	1,910,175	2,667,031	-	8,110,556
2010		619,331	2,783,775	1,910,175	2,589,188	-	7,902,469
2011		528,481	2,712,175	1,910,175	2,498,288	-	7,649,119
2012-2016		847,250	11,930,875	9,258,231	10,680,913	-	32,717,269
2017-2021		-	7,821,731	4,451,344	7,107,119	-	19,380,194
2022-2026		-	2,067,794	162,356	2,591,563	-	4,821,713
		4,282,818	35,936,357	23,422,806	33,638,015	5,259,722	102,539,718

		Principal					
		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2007	\$	1,450,000	1,360,000	-	940,000	-	3,750,000
2008		1,660,000	1,565,000	-	1,775,000	70,000,000	75,000,000
2009		1,915,000	1,760,000	-	1,985,000	-	5,660,000
2010		2,180,000	1,975,000	-	2,210,000	-	6,365,000
2011		2,475,000	2,210,000	-	2,460,000	-	7,145,000
2012-2016		9,210,000	14,175,000	8,025,000	14,765,000	-	46,175,000
2017-2021		-	21,865,000	25,165,000	15,960,000	-	62,990,000
2022-2026		-	20,620,000	3,375,000	20,655,000	-	44,650,000
		18,890,000	65,530,000	36,565,000	60,750,000	70,000,000	251,735,000

		Total					
		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2007	\$	2,271,794	4,268,988	1,910,175	3,711,713	-	12,162,670
2008		2,427,431	4,441,200	1,910,175	4,507,200	75,259,722	88,545,728
2009		2,613,531	4,594,819	1,910,175	4,652,031	-	13,770,556
2010		2,799,331	4,758,775	1,910,175	4,799,188	-	14,267,469
2011		3,003,481	4,922,175	1,910,175	4,958,288	-	14,794,119
2012-2016		10,057,250	26,105,875	17,283,231	25,445,913	-	78,892,269
2017-2021		-	29,686,731	29,616,344	23,067,119	-	82,370,194
2022-2026		-	22,687,794	3,537,356	23,246,563	-	49,471,713
	\$	23,172,818	101,466,357	59,987,806	94,388,015	75,259,722	354,274,718

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

Prior redemption of Drinking Water Assistance Fund – Leverage Series Bonds and Notes, by series, is as follows:

- a) Leverage Series 2002 – The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.
- b) Leverage Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.
- c) Leverage Refunding Series 2005 – The term bonds are mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.
- d) Leverage Series 2005B – The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.

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, 2006, there is a \$111,309 accrued rebate liability for these bonds.

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

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

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

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

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2006, outstanding bonds and notes under this program total \$2,208,505,000.

(14) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2006, 2005, and 2004 were approximately \$995,000, \$905,000, and \$885,000, 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 2006, the employee and employer contribution rates were 9.00% and 13.54%, respectively, for all Authority employees. Total required employer contributions were approximately \$135,000, \$120,500, and \$118,000 for the years ending December 31, 2006, 2005 and 2004, 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 Benefit (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on*

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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, 2006, that portion was 4.50% 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, 2005, include a rate of return on investments of 6.5%, 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 at the projected wage inflation rate (4.0%) plus an additional factor ranging from .50% to 6% for the next nine years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$31.3 billion and \$20.2 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 or depreciation on investments. The Authority's actuarially required and actual contributions for the OPERS healthcare plan was approximately \$44,867 for the year ending December 31, 2006, covering 20 participants.

(15) COMMITMENTS

As of December 31, 2006, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 14,800,910
Rural Utility Services	8,525,408
Community Assistance	14,912,245
Fresh Water	65,102,183
Pure Water Refunding	252,693
Water Pollution Control Loan	641,401,669
Drinking Water Assistance	88,549,857
	<u>\$ 833,544,965</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

(16) TRANSFERS

Interfund transfers for the year ended December 31, 2006 consisted of the following:

Transfer from Working Capital to:		
Refunding	\$	(512,201)
Transfers to (from) Other Projects from (to):		
Fresh Water		13,355,243
Refunding		(1,571)
Safe Water Refunding		(2,400,823)
Pure Water Refunding		(1,787,023)
	\$	<u>9,165,826</u>
Transfers to (from) Fresh Water from (to):		
Other Projects		(13,355,243)
Refunding		3,878,890
Safe Water Refunding		2,465,597
Pure Water Refunding		1,163,485
	\$	<u>(5,847,271)</u>
Transfers to (from) Refunding from (to):		
Working Capital		512,201
Other Projects		1,571
Fresh Water		(3,878,890)
	\$	<u>(3,365,118)</u>
Transfers to (from) Safe Water Refunding from (to):		
Other Projects		2,400,823
Fresh Water		(2,465,597)
	\$	<u>(64,774)</u>
Transfers to (from) Pure Water Refunding from (to):		
Other Projects		1,787,023
Fresh Water		(1,163,485)
	\$	<u>623,538</u>
Total Transfers, net	\$	<u>—</u>

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, 2006, the Authority made a transfer of \$6,785,000 from the Fresh Water Fund to the Pure Water Refunding Fund for the purpose of calling bonds and a transfer of \$12,734,522 from the Fresh Water Fund to the Other Projects Fund to provide additional funding for the Unallocated Reserve account.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(17) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2006, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2005 Balance	Additions	Reductions	12/31/2006 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 167,080	-	6,461	160,619	-	160,619
Revenue Bonds and Notes Payable	2,623,417,634	156,397,234	212,864,759	2,566,950,109	124,719,072	2,442,231,037
Total Long-Term Liabilities	<u>\$2,623,584,714</u>	<u>156,397,234</u>	<u>212,871,220</u>	<u>2,567,110,728</u>	<u>124,719,072</u>	<u>2,442,391,656</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 96,306	36,629	192,143	789,517	21,452,041
Investments	21,309,333	2,534,628	2,420,654	3,248,194	8,611,424
Loan receivables	-	-	-	812,135	789,718
Total current assets	<u>21,405,639</u>	<u>2,571,257</u>	<u>2,612,797</u>	<u>4,849,846</u>	<u>30,853,183</u>
Noncurrent assets:					
Investments	8,596,862	2,599,698	2,748,177	3,648,483	2,000,000
Loan receivables	-	-	-	8,293,558	16,665,909
Total noncurrent assets	<u>8,596,862</u>	<u>2,599,698</u>	<u>2,748,177</u>	<u>11,942,041</u>	<u>18,665,909</u>
Total assets	<u>\$ 30,002,501</u>	<u>5,170,955</u>	<u>5,360,974</u>	<u>16,791,887</u>	<u>49,519,092</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	-	-	19,173	-	485,447
Total liabilities	<u>-</u>	<u>-</u>	<u>19,173</u>	<u>-</u>	<u>485,447</u>
<u>Net Assets</u>					
Restricted for debt and grant covenants	-	-	-	-	-
Unrestricted	30,002,501	5,170,955	5,341,801	16,791,887	49,033,645
Total net assets	<u>30,002,501</u>	<u>5,170,955</u>	<u>5,341,801</u>	<u>16,791,887</u>	<u>49,033,645</u>
Total liabilities and net assets	<u>\$ 30,002,501</u>	<u>5,170,955</u>	<u>5,360,974</u>	<u>16,791,887</u>	<u>49,519,092</u>

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
1,445,921	32,492	308,378	954,619	637,396	129,875	26,075,317
5,677	2,179,127	5,848,238	156,244	2,795	8,141,799	54,458,113
112,433	-	-	20,857	6,354	-	1,741,497
<u>1,564,031</u>	<u>2,211,619</u>	<u>6,156,616</u>	<u>1,131,720</u>	<u>646,545</u>	<u>8,271,674</u>	<u>82,274,927</u>
-	2,499,003	9,279,673	-	-	4,250,051	35,621,947
776,833	-	-	308,867	174,327	-	26,219,494
<u>776,833</u>	<u>2,499,003</u>	<u>9,279,673</u>	<u>308,867</u>	<u>174,327</u>	<u>4,250,051</u>	<u>61,841,441</u>
<u>2,340,864</u>	<u>4,710,622</u>	<u>15,436,289</u>	<u>1,440,587</u>	<u>820,872</u>	<u>12,521,725</u>	<u>144,116,368</u>
24,941	-	-	-	-	-	529,561
<u>24,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,561</u>
-	-	-	-	-	-	-
2,315,923	4,710,622	15,436,289	1,440,587	820,872	12,521,725	143,586,807
<u>2,315,923</u>	<u>4,710,622</u>	<u>15,436,289</u>	<u>1,440,587</u>	<u>820,872</u>	<u>12,521,725</u>	<u>143,586,807</u>
<u>2,340,864</u>	<u>4,710,622</u>	<u>15,436,289</u>	<u>1,440,587</u>	<u>820,872</u>	<u>12,521,725</u>	<u>144,116,368</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, 2006

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating revenues:					
Loan income	\$ -	-	-	506,145	458,493
Investment income	803,624	220,734	269,177	344,130	1,556,308
Total operating revenues	803,624	220,734	269,177	850,275	2,014,801
Operating expenses:					
Other	17,393	4,643	979,516	9,445	30,072
Total operating expenses	17,393	4,643	979,516	9,445	30,072
Operating income (loss)	786,231	216,091	(710,339)	840,830	1,984,729
Transfers in (out), net	12,734,522	630,000	-	-	1,507,607
Change in net assets	13,520,753	846,091	(710,339)	840,830	3,492,336
Net assets at beginning of year	16,481,748	4,324,864	6,052,140	15,951,057	45,541,309
Net assets at end of year	\$ 30,002,501	5,170,955	5,341,801	16,791,887	49,033,645

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
-	-	-	17,417	3,543	-	985,598
<u>67,670</u>	<u>211,388</u>	<u>603,953</u>	<u>60,660</u>	<u>68,945</u>	<u>614,514</u>	<u>4,821,103</u>
67,670	211,388	603,953	78,077	72,488	614,514	5,806,701
<u>1,539</u>	<u>4,589</u>	<u>12,006</u>	<u>6,000</u>	<u>1,500</u>	<u>13,708</u>	<u>1,080,411</u>
1,539	4,589	12,006	6,000	1,500	13,708	1,080,411
<u>66,131</u>	<u>206,799</u>	<u>591,947</u>	<u>72,077</u>	<u>70,988</u>	<u>600,806</u>	<u>4,726,290</u>
<u>(1,150,805)</u>	<u>-</u>	<u>5,387,008</u>	<u>(1,118,042)</u>	<u>(4,625,768)</u>	<u>(4,198,696)</u>	<u>9,165,826</u>
(1,084,674)	206,799	5,978,955	(1,045,965)	(4,554,780)	(3,597,890)	13,892,116
<u>3,400,597</u>	<u>4,503,823</u>	<u>9,457,334</u>	<u>2,486,552</u>	<u>5,375,652</u>	<u>16,119,615</u>	<u>129,694,691</u>
<u>2,315,923</u>	<u>4,710,622</u>	<u>15,436,289</u>	<u>1,440,587</u>	<u>820,872</u>	<u>12,521,725</u>	<u>143,586,807</u>

**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating activities:					
Operating expenses	\$ (17,393)	(4,643)	(17,158)	(9,445)	(30,072)
Net cash (used) by operating activities	(17,393)	(4,643)	(17,158)	(9,445)	(30,072)
Investing activities:					
Proceeds from maturity or sale of investments	34,865,886	9,187,490	15,536,644	19,141,447	23,966,618
Purchase of investments	(48,093,623)	(10,030,664)	(14,583,742)	(18,304,225)	(12,222,550)
Interest received on investments, net of purchased interest	563,201	170,289	247,901	295,272	1,264,871
Interest received on projects	-	-	-	429,495	412,695
Principal collected on projects	-	-	-	618,035	549,418
Payment for construction of projects	-	-	(1,008,566)	(1,432,573)	(4,155,533)
Net cash provided (used) by investing activities	(12,664,536)	(672,885)	192,237	747,451	9,815,519
Noncapital financing activities:					
Other	-	630,000	-	-	-
Transfers (to) from other funds	12,734,522	-	-	-	1,507,607
Net cash provided (used) by noncapital financing activities	12,734,522	630,000	-	-	1,507,607
Net increase (decrease) in cash and cash equivalents	52,593	(47,528)	175,079	738,006	11,293,054
Cash and cash equivalents at beginning of year	43,713	84,157	17,064	51,511	10,158,987
Cash and cash equivalents at end of year	\$ 96,306	36,629	192,143	789,517	21,452,041
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	786,231	216,091	(710,339)	840,830	1,984,729
Adjustments:					
Investment income	(803,624)	(220,734)	(269,177)	(344,130)	(1,556,308)
Operating expenses	-	-	962,358	-	-
Loan income	-	-	-	(506,145)	(458,493)
Net cash (used) by operating activities	\$ (17,393)	(4,643)	(17,158)	(9,445)	(30,072)

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
(1,539)	(4,589)	(12,006)	(6,000)	(1,500)	(13,708)	(118,053)
<u>(1,539)</u>	<u>(4,589)</u>	<u>(12,006)</u>	<u>(6,000)</u>	<u>(1,500)</u>	<u>(13,708)</u>	<u>(118,053)</u>
-	10,887,851	10,984,702	-	-	35,025,048	159,595,686
-	(11,083,246)	(21,688,861)	-	-	(31,265,204)	(167,272,115)
68,860	184,378	459,314	60,532	83,850	508,267	3,906,735
-	-	-	8,842	3,664	-	854,696
322,761	-	-	10,024	5,071	-	1,505,309
(206,175)	-	-	-	-	-	(6,802,847)
<u>185,446</u>	<u>(11,017)</u>	<u>(10,244,845)</u>	<u>79,398</u>	<u>92,585</u>	<u>4,268,111</u>	<u>(8,212,536)</u>
-	-	-	-	-	-	630,000
(1,150,805)	-	5,387,008	(1,118,042)	(4,625,768)	(4,198,695)	8,535,827
<u>(1,150,805)</u>	<u>-</u>	<u>5,387,008</u>	<u>(1,118,042)</u>	<u>(4,625,768)</u>	<u>(4,198,695)</u>	<u>9,165,827</u>
(966,898)	(15,606)	(4,869,843)	(1,044,644)	(4,534,683)	55,708	835,238
2,412,819	48,098	5,178,221	1,999,263	5,172,079	74,167	25,240,079
<u>1,445,921</u>	<u>32,492</u>	<u>308,378</u>	<u>954,619</u>	<u>637,396</u>	<u>129,875</u>	<u>26,075,317</u>
66,131	206,799	591,947	72,077	70,988	600,806	4,726,290
(67,670)	(211,388)	(603,953)	(60,660)	(68,945)	(614,514)	(4,821,103)
-	-	-	-	-	-	962,358
-	-	-	(17,417)	(3,543)	-	(985,598)
<u>(1,539)</u>	<u>(4,589)</u>	<u>(12,006)</u>	<u>(6,000)</u>	<u>(1,500)</u>	<u>(13,708)</u>	<u>(118,053)</u>

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

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund			
	Rural Development 2003	Rural Development 2004	Rural Development 2006	Fund Total
	<u>Assets</u>			
Noncurrent assets:				
Restricted note covenant assets:				
Cash and Cash Equivalents	\$ -	2,574,554	29,468,526	32,043,080
Investments	-	12,990	128,346	141,336
Loan receivables	2,795,507	9,866,844	7,239,434	19,901,785
Total restricted assets	2,795,507	12,454,388	36,836,306	52,086,201
Deferred note issuance expense	-	-	145,592	145,592
Total assets	\$ 2,795,507	12,454,388	36,981,898	52,231,793
 <u>Liabilities</u>				
Current liabilities payable from restricted assets:				
Accrued interest	-	-	126,583	126,583
Accounts payable	-	-	656,682	656,682
Total current liabilities payable from restricted assets	-	-	783,265	783,265
Noncurrent liabilities:				
Water Development Revenue Notes:				
Rural Development Series 2006-A, net of premium	-	-	31,989,656	31,989,656
Total noncurrent liabilities	-	-	31,989,656	31,989,656
Total liabilities	-	-	32,772,921	32,772,921
 <u>Net Assets</u>				
Restricted for debt and grant covenants	2,795,507	12,454,388	4,208,977	19,458,872
Unrestricted	-	-	-	-
Total net assets	2,795,507	12,454,388	4,208,977	19,458,872
Total liabilities and net assets	\$ 2,795,507	12,454,388	36,981,898	52,231,793

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, 2006

	Trusteed Fund	
	Rural Development 1999	Rural Development 2002
Operating revenues:		
Loan income	\$ -	209
Investment income	-	4,496
Total operating revenues	-	4,705
Operating expenses:		
Interest on notes	-	-
Amortization of note issuance expense	-	-
Other	-	-
Total operating expenses	-	-
Operating income	-	4,705
Nonoperating other (expenses)	-	-
Income before transfers	-	4,705
Transfers in (out), net	(515,507)	(529,119)
Change in net assets	(515,507)	(524,414)
Net assets at beginning of year	515,507	524,414
Net assets at end of year	\$ -	-

Trusteed Fund

Rural Development 2003	Rural Development 2004	Rural Development 2006	Fund Total
58,006	282,429	61,124	401,768
9,203	374,562	1,009,196	1,397,457
67,209	656,991	1,070,320	1,799,225
-	96,646	760,600	857,246
-	54,323	31,337	85,660
1,567	33,410	15,436	50,413
1,567	184,379	807,373	993,319
65,642	472,612	262,947	805,906
-	(34,104)	-	(34,104)
65,642	438,508	262,947	771,802
(8,286,421)	5,385,017	3,946,030	-
(8,220,779)	5,823,525	4,208,977	771,802
11,016,286	6,630,863	-	18,687,070
2,795,507	12,454,388	4,208,977	19,458,872

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Rural Development 2002
Operating activities:	
Operating expenses	\$ -
Net cash (used) by operating activities	-
Investing activities:	
Interest received on investments, net of purchased interest	5,972
Principal collected on projects	-
Payment for construction of projects	-
Net cash provided (used) by investing activities	5,972
Noncapital financing activities:	
Interest paid on notes, net of purchased interest	-
Proceeds of notes	-
Note issuance expense	-
Redemption of notes	-
Other	-
Transfers (to) from other funds	(437,188)
Net cash provided (used) by noncapital financing activities	(437,188)
Net increase (decrease) in cash and cash equivalents	(431,216)
Cash and cash equivalents at beginning of year	431,216
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating income to net cash (used) by operating activities:	
Operating income	4,705
Adjustments:	
Investment income	(4,496)
Interest on notes	-
Loan income	(209)
Amortization of note issuance expense	-
Net cash (used) by operating activities	\$ -

Trusteed Fund

Rural Development 2003	Rural Development 2004	Rural Development 2006	Fund Total
(1,567)	(33,410)	(15,436)	(50,413)
(1,567)	(33,410)	(15,436)	(50,413)
12,148	394,814	880,849	1,293,783
-	14,584,895	1,453,044	16,037,939
(159,769)	(10,253,748)	(6,521,627)	(16,935,144)
(147,621)	4,725,961	(4,187,734)	396,578
-	(136,225)	(827,011)	(963,236)
-	-	32,182,650	32,182,650
-	-	(176,928)	(176,928)
-	(14,805,000)	-	(14,805,000)
-	(34,104)	-	(34,104)
(852,627)	(1,203,170)	2,492,985	-
(852,627)	(16,178,499)	33,671,696	16,203,382
(1,001,815)	(11,485,948)	29,468,526	16,549,547
1,001,815	14,060,502	-	15,493,533
-	2,574,554	29,468,526	32,043,080
65,642	472,612	262,947	805,906
(9,203)	(374,562)	(1,009,196)	(1,397,457)
-	96,646	760,600	857,246
(58,006)	(282,429)	(61,124)	(401,768)
-	54,323	31,337	85,660
(1,567)	(33,410)	(15,436)	(50,413)

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund			Fund Total
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance Refunding	
<u>Assets</u>				
Noncurrent assets:				
Restricted bond covenant assets:				
Cash and cash equivalents	\$ 16,284,462	667,573	25,420	16,977,455
Investments	4,319,925	21,098,309	95	25,418,329
Loan receivables	122,790,245	37,549,081	-	160,339,326
Total restricted assets	<u>143,394,632</u>	<u>59,314,963</u>	<u>25,515</u>	<u>202,735,110</u>
Deferred bond issuance expense	29,561	547,107	380,589	957,257
Total assets	<u>\$ 143,424,193</u>	<u>59,862,070</u>	<u>406,104</u>	<u>203,692,367</u>
<u>Liabilities</u>				
Current liabilities payable from restricted assets:				
Accrued interest	11,000	187,255	134,843	333,098
Accounts payable	141,104	1,760,921	-	1,902,025
Water Development Revenue and Refunding Bonds:				
Community Assistance Series 1997 - 2005, net of premium	<u>2,218,344</u>	<u>1,680,000</u>	<u>180,000</u>	<u>4,078,344</u>
Total current liabilities payable from restricted assets	<u>2,370,448</u>	<u>3,628,176</u>	<u>314,843</u>	<u>6,313,467</u>
Noncurrent liabilities:				
Water Development Revenue and Refunding Bonds:				
Community Assistance Series 2003 - 2005, net of premiums and deferred loss	<u>-</u>	<u>50,280,542</u>	<u>35,915,655</u>	<u>86,196,197</u>
Total noncurrent liabilities	<u>-</u>	<u>50,280,542</u>	<u>35,915,655</u>	<u>86,196,197</u>
Total liabilities	<u>2,370,448</u>	<u>53,908,718</u>	<u>36,230,498</u>	<u>92,509,664</u>
<u>Net Assets</u>				
Restricted for debt and grant covenants	141,053,745	5,953,352	(35,824,394)	111,182,703
Unrestricted	-	-	-	-
Total net assets	<u>141,053,745</u>	<u>5,953,352</u>	<u>(35,824,394)</u>	<u>111,182,703</u>
Total liabilities and net assets	<u>\$ 143,424,193</u>	<u>59,862,070</u>	<u>406,104</u>	<u>203,692,367</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

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

Year ended December 31, 2006

	Trusteed Fund			Fund Total
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance Refunding	
Operating revenues:				
Loan income	\$ 2,337,580	388,712	-	2,726,292
Investment income	991,926	736,538	1,201	1,729,665
Total operating revenues	<u>3,329,506</u>	<u>1,125,250</u>	<u>1,201</u>	<u>4,455,957</u>
Operating expenses:				
Interest on bonds	173,570	2,164,964	1,574,368	3,912,902
Amortization of bond issuance expense	29,560	22,796	21,144	73,500
Other	3,287	3,100	4,000	10,387
Total operating expenses	<u>206,417</u>	<u>2,190,860</u>	<u>1,599,512</u>	<u>3,996,789</u>
Operating income (loss)	<u>3,123,089</u>	<u>(1,065,610)</u>	<u>(1,598,311)</u>	<u>459,168</u>
Transfers in (out), net	<u>(5,165,984)</u>	<u>3,368,968</u>	<u>1,797,016</u>	<u>-</u>
Change in net assets	<u>(2,042,895)</u>	<u>2,303,358</u>	<u>198,705</u>	<u>459,168</u>
Net assets at beginning of year	<u>143,096,640</u>	<u>3,649,994</u>	<u>(36,023,099)</u>	<u>110,723,535</u>
Net assets at end of year	<u>\$ 141,053,745</u>	<u>5,953,352</u>	<u>(35,824,394)</u>	<u>111,182,703</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund			Fund Total
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance Refunding	
Operating activities:				
Operating expenses	\$ (3,287)	(3,100)	(4,000)	(10,387)
Net cash (used) by operating activities	(3,287)	(3,100)	(4,000)	(10,387)
Investing activities:				
Proceeds from maturity or sale of investments	7,129,390	18,991,455	-	26,120,845
Purchase of investments	(6,475,468)	(2,726,323)	-	(9,201,791)
Interest received on investments, net of purchased interest	976,387	763,669	1,206	1,741,262
Interest received on projects	2,293,610	145,372	-	2,438,982
Principal collected on projects	6,057,543	361,973	-	6,419,516
Payment for construction of projects	(894,877)	(17,084,971)	-	(17,979,848)
Net cash provided by investing activities	9,086,585	451,175	1,206	9,538,966
Noncapital financing activities:				
Interest paid on bonds, net of purchased interest	(225,600)	(2,270,062)	(1,622,015)	(4,117,677)
Bond issuance expense	-	-	(3,500)	(3,500)
Redemption of bonds	(2,070,000)	(1,470,000)	(175,000)	(3,715,000)
Other	133,960	-	-	133,960
Transfers (to) from other funds	(5,165,982)	3,368,967	1,797,015	-
Net cash (used) by noncapital financing activities	(7,327,622)	(371,095)	(3,500)	(7,702,217)
Net increase (decrease) in cash and cash equivalents	1,755,676	76,980	(6,294)	1,826,362
Cash and cash equivalents at beginning of year	14,528,786	590,593	31,714	15,151,093
Cash and cash equivalents at end of year	\$ 16,284,462	667,573	25,420	16,977,455
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	3,123,089	(1,065,610)	(1,598,311)	459,168
Adjustments:				
Investment income	(991,926)	(736,538)	(1,201)	(1,729,665)
Interest on bonds	173,570	2,164,964	1,574,368	3,912,902
Loan income	(2,337,580)	(388,712)	-	(2,726,292)
Amortization of bond issuance expense	29,560	22,796	21,144	73,500
Net cash (used) by operating activities	\$ (3,287)	(3,100)	(4,000)	(10,387)

**OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND**

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 20,176,681	9,269,743	16,563,235
Investments	9,333,371	38,786,055	4,813,659
Loan receivables	103,662,093	90,701,357	130,944,910
Total restricted assets	133,172,145	138,757,155	152,321,804
Other receivables	-	177,659	909,281
Deferred bond issuance expense	-	-	421,560
Total assets	\$ 133,172,145	138,934,814	153,652,645
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	203,153
Accounts payable	1,448	7,867	1,079,788
Water Development Revenue Bonds:			
Fresh Water Series 1998 - 2004	-	-	9,560,000
Total current liabilities payable from restricted assets	1,448	7,867	10,842,941
Noncurrent liabilities:			
Water Development Revenue and Refunding Bonds:			
Fresh Water Series 1998 - 2006, net of premiums and deferred losses	-	-	37,370,833
Total noncurrent liabilities	-	-	37,370,833
Total liabilities	1,448	7,867	48,213,774
<u>Net Assets</u>			
Restricted for debt and grant covenants	133,170,697	138,926,947	105,438,871
Unrestricted	-	-	-
Total net assets	133,170,697	138,926,947	105,438,871
Total liabilities and net assets	\$ 133,172,145	138,934,814	153,652,645

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water Refunding	2006 Fresh Water Refunding	Fund Total
4,082,917	15,540	19,551	11,763	46,443	50,185,873
4,439,190	19,777,414	35,861,819	48	192	113,011,748
20,640,586	90,440,896	125,216,119	-	-	561,605,961
<u>29,162,693</u>	<u>110,233,850</u>	<u>161,097,489</u>	<u>11,811</u>	<u>46,635</u>	<u>724,803,582</u>
-	-	-	-	-	1,086,940
569,525	453,789	641,454	807,452	455,243	3,349,023
<u>29,732,218</u>	<u>110,687,639</u>	<u>161,738,943</u>	<u>819,263</u>	<u>501,878</u>	<u>729,239,545</u>
271,345	223,754	351,094	463,909	223,563	1,736,818
92,851	263,102	3,520,027	-	-	4,965,083
<u>720,000</u>	<u>3,600,000</u>	<u>4,365,000</u>	<u>-</u>	<u>-</u>	<u>18,245,000</u>
1,084,196	4,086,856	8,236,121	463,909	223,563	24,946,901
59,693,821	54,071,612	85,928,284	110,865,501	54,407,579	402,337,630
<u>59,693,821</u>	<u>54,071,612</u>	<u>85,928,284</u>	<u>110,865,501</u>	<u>54,407,579</u>	<u>402,337,630</u>
60,778,017	58,158,468	94,164,405	111,329,410	54,631,142	427,284,531
(31,045,799)	52,529,171	67,574,538	(110,510,147)	(54,129,264)	301,955,014
-	-	-	-	-	-
<u>(31,045,799)</u>	<u>52,529,171</u>	<u>67,574,538</u>	<u>(110,510,147)</u>	<u>(54,129,264)</u>	<u>301,955,014</u>
<u>29,732,218</u>	<u>110,687,639</u>	<u>161,738,943</u>	<u>819,263</u>	<u>501,878</u>	<u>729,239,545</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, 2006

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating revenues:			
Loan income	\$ 6,539,347	5,234,698	6,817,970
Investment income	1,333,901	2,204,071	1,443,296
Total operating revenues	<u>7,873,248</u>	<u>7,438,769</u>	<u>8,261,266</u>
Operating expenses:			
Interest on bonds	-	-	2,516,689
Amortization of bond issuance expense	-	-	93,679
Other	22,502	28,967	39,975
Total operating expenses	<u>22,502</u>	<u>28,967</u>	<u>2,650,343</u>
Operating income (loss)	<u>7,850,746</u>	<u>7,409,802</u>	<u>5,610,923</u>
Nonoperating other revenues	-	466,954	-
Income (loss) before transfers	<u>7,850,746</u>	<u>7,876,756</u>	<u>5,610,923</u>
Transfers in (out), net	<u>(5,656,912)</u>	<u>(8,159,489)</u>	<u>(3,285,361)</u>
Change in net assets	2,193,834	(282,733)	2,325,562
Net assets at beginning of year	<u>130,976,863</u>	<u>139,209,680</u>	<u>103,113,309</u>
Net assets at end of year	<u>\$ 133,170,697</u>	<u>138,926,947</u>	<u>105,438,871</u>

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water Refunding	2006 Fresh Water Refunding	Fund Total
1,123,739	3,952,356	4,850,597	-	-	28,518,707
414,326	966,183	1,584,884	21,975	5,764	7,974,400
<u>1,538,065</u>	<u>4,918,539</u>	<u>6,435,481</u>	<u>21,975</u>	<u>5,764</u>	<u>36,493,107</u>
3,183,702	2,441,979	6,186,591	4,940,621	587,996	19,857,578
37,968	21,609	39,431	42,498	8,129	243,314
17,123	18,372	27,953	2,087	75	157,054
<u>3,238,793</u>	<u>2,481,960</u>	<u>6,253,975</u>	<u>4,985,206</u>	<u>596,200</u>	<u>20,257,946</u>
<u>(1,700,728)</u>	<u>2,436,579</u>	<u>181,506</u>	<u>(4,963,231)</u>	<u>(590,436)</u>	<u>16,235,161</u>
-	-	-	-	-	466,954
<u>(1,700,728)</u>	<u>2,436,579</u>	<u>181,506</u>	<u>(4,963,231)</u>	<u>(590,436)</u>	<u>16,702,115</u>
1,704,155	(2,149,222)	59,691,886	5,546,500	(53,538,828)	(5,847,271)
3,427	287,357	59,873,392	583,269	(54,129,264)	10,854,844
<u>(31,049,226)</u>	<u>52,241,814</u>	<u>7,701,146</u>	<u>(111,093,416)</u>	<u>-</u>	<u>291,100,170</u>
<u>(31,045,799)</u>	<u>52,529,171</u>	<u>67,574,538</u>	<u>(110,510,147)</u>	<u>(54,129,264)</u>	<u>301,955,014</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating activities:			
Operating expenses	\$ (13,219)	(28,967)	(39,975)
Net cash (used) by operating activities	(13,219)	(28,967)	(39,975)
Investing activities:			
Proceeds from maturity or sale of investments	71,252,158	30,706,794	5,955,165
Purchase of investments	(78,570,267)	(43,407,801)	(6,154,642)
Interest received on investments, net of purchased interest	1,289,068	1,788,260	1,441,638
Interest received on projects	20,425,071	1,990,058	2,613,836
Principal collected on projects	16,092,567	3,858,943	5,048,751
Payment for construction of projects	(464,334)	(337,269)	(8,725,722)
Net cash provided (used) by investing activities	30,024,263	(5,401,015)	179,026
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	-	(2,763,731)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	(40,600)
Redemption of bonds	-	-	(9,115,000)
Other	-	467,179	-
Transfers (to) from other funds	(28,822,324)	(2,155,914)	4,220,236
Net cash provided (used) by noncapital financing activities	(28,822,324)	(1,688,735)	(7,699,095)
Net increase (decrease) in cash and cash equivalents	1,188,720	(7,118,717)	(7,560,044)
Cash and cash equivalents at beginning of year	18,987,961	16,388,460	24,123,279
Cash and cash equivalents at end of year	\$ 20,176,681	9,269,743	16,563,235
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,850,746	7,409,802	5,610,923
Adjustments:			
Investment income	(1,333,901)	(2,204,071)	(1,443,296)
Operating expenses	9,283	-	-
Interest on bonds	-	-	2,516,689
Loan income	(6,539,347)	(5,234,698)	(6,817,970)
Amortization of bond issuance expense	-	-	93,679
Net cash (used) by operating activities	\$ (13,219)	(28,967)	(39,975)

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water Refunding	2006 Fresh Water Refunding	Fund Total
(17,123)	(18,372)	(27,953)	(2,087)	(75)	(147,771)
<u>(17,123)</u>	<u>(18,372)</u>	<u>(27,953)</u>	<u>(2,087)</u>	<u>(75)</u>	<u>(147,771)</u>
5,934,388	775,276,978	48,338,290	2,783,323	1,191,429	941,438,525
(6,334,038)	(777,051,906)	(5,526,467)	(2,783,323)	(1,191,429)	(921,019,873)
295,546	857,476	1,673,721	21,965	5,572	7,373,246
405,736	592,309	382,824	-	-	26,409,834
289,675	2,426,941	1,656,765	-	-	29,373,642
(165,987)	(800,964)	(45,276,879)	-	-	(55,771,155)
<u>425,320</u>	<u>1,300,834</u>	<u>1,248,254</u>	<u>21,965</u>	<u>5,572</u>	<u>27,804,219</u>
(3,276,915)	(2,772,543)	(5,665,695)	(5,566,912)	(317,070)	(20,362,866)
-	-	-	-	59,399,854	59,399,854
-	-	(4,055,000)	-	(422,772)	(4,518,372)
(695,000)	(3,500,000)	-	-	(59,846,136)	(73,156,136)
-	-	-	-	-	467,179
<u>2,903,797</u>	<u>2,930,570</u>	<u>8,302,799</u>	<u>5,546,499</u>	<u>1,227,070</u>	<u>(5,847,267)</u>
<u>(1,068,118)</u>	<u>(3,341,973)</u>	<u>(1,417,896)</u>	<u>(20,413)</u>	<u>40,946</u>	<u>(44,017,608)</u>
(659,921)	(2,059,511)	(197,595)	(535)	46,443	(16,361,160)
4,742,838	2,075,051	217,146	12,298	-	66,547,033
<u>4,082,917</u>	<u>15,540</u>	<u>19,551</u>	<u>11,763</u>	<u>46,443</u>	<u>50,185,873</u>
(1,700,728)	2,436,579	181,506	(4,963,231)	(590,436)	16,235,161
(414,326)	(966,183)	(1,584,884)	(21,975)	(5,764)	(7,974,400)
-	-	-	-	-	9,283
3,183,702	2,441,979	6,186,591	4,940,621	587,996	19,857,578
(1,123,739)	(3,952,356)	(4,850,597)	-	-	(28,518,707)
37,968	21,609	39,431	42,498	8,129	243,314
<u>(17,123)</u>	<u>(18,372)</u>	<u>(27,953)</u>	<u>(2,087)</u>	<u>(75)</u>	<u>(147,771)</u>

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**OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	986,920	986,920
Investments	-	1,364	1,364
Loan receivables	11,679,671	-	11,679,671
Total assets	\$ 11,679,671	988,284	12,667,955
 <u>Net Assets</u>			
Restricted for debt and grant covenants	11,679,671	988,284	12,667,955
Unrestricted	-	-	-
Total net assets	11,679,671	988,284	12,667,955
Total liabilities and net assets	\$ 11,679,671	988,284	12,667,955

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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, 2006

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating revenues:			
Loan income	\$ 747,479	-	747,479
Investment income	-	125,343	125,343
Total operating revenues	747,479	125,343	872,822
Operating expenses:			
Other	1,571	6,801	8,372
Total operating expenses	1,571	6,801	8,372
Operating income	745,908	118,542	864,450
Transfers (out), net	(2,985,818)	(379,300)	(3,365,118)
Change in net assets	(2,239,910)	(260,758)	(2,500,668)
Net assets at beginning of year	13,919,581	1,249,042	15,168,623
Net assets at end of year	\$ 11,679,671	988,284	12,667,955

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating activities:			
Operating expenses	\$ -	(6,801)	(6,801)
Net cash (used) by operating activities	-	(6,801)	(6,801)
Investing activities:			
Interest received on investments, net of purchased interest	-	125,641	125,641
Interest received on projects	-	903,683	903,683
Principal collected on projects	-	2,594,335	2,594,335
Net cash provided by investing activities	-	3,623,659	3,623,659
Noncapital financing activities:			
Transfers (to) other funds	-	(3,877,318)	(3,877,318)
Net cash (used) by noncapital financing activities	-	(3,877,318)	(3,877,318)
Net (decrease) in cash and cash equivalents	-	(260,460)	(260,460)
Cash and cash equivalents at beginning of year	-	1,247,380	1,247,380
Cash and cash equivalents at end of year	\$ -	986,920	986,920
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income	745,908	118,542	864,450
Adjustments:			
Investment income	-	(125,343)	(125,343)
Operating expenses	1,571	-	1,571
Loan income	(747,479)	-	(747,479)
Net cash (used) by operating activities	\$ -	(6,801)	(6,801)

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

Schedule of Combining Balance Sheets

December 31, 2006

	Trusted Fund	
	Safe Water	1992 Safe Water
<u>Assets</u>		
Noncurrent assets:		
Restricted bond covenant assets:		
Cash and cash equivalents	\$ -	104,938
Investments	-	7,764,303
Loan receivables	46,192,546	-
Total restricted assets	46,192,546	7,869,241
Other receivables	-	-
Deferred bond issuance expense	81,765	-
Total assets	\$ 46,274,311	7,869,241
 <u>Liabilities</u>		
Current liabilities payable from restricted assets:		
Accrued interest	-	-
Water Development Revenue Refunding Bonds:		
1997 Safe Water Series, net of premium and deferred loss	14,125,728	-
Total liabilities	14,125,728	-
 <u>Net Assets</u>		
Restricted for debt and grant covenants	32,148,583	7,869,241
Unrestricted	-	-
Total net assets	32,148,583	7,869,241
Total liabilities and net assets	\$ 46,274,311	7,869,241

Trusteed Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
6,139,113	6,244,051
11,693,161	19,457,464
-	46,192,546
<u>17,832,274</u>	<u>71,894,061</u>
249,305	249,305
-	81,765
<u>18,081,579</u>	<u>72,225,131</u>
72,975	72,975
-	<u>14,125,728</u>
72,975	14,198,703
18,008,604	58,026,428
-	-
<u>18,008,604</u>	<u>58,026,428</u>
<u>18,081,579</u>	<u>72,225,131</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

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

Year ended December 31, 2006

	Trusteed Fund	
	Safe Water	1992 Safe Water
Operating revenues:		
Loan income	\$ 6,059,026	-
Investment income	-	394,315
Total operating revenues	6,059,026	394,315
Operating expenses:		
Interest on bonds	327,969	-
Amortization of bond issuance expense	81,763	-
Other	2,400,822	2,349
Total operating expenses	2,810,554	2,349
Operating income (loss)	3,248,472	391,966
Transfers in (out), net	(1,531,656)	1,082,571
Change in net assets	1,716,816	1,474,537
Net assets at beginning of year	30,431,767	6,394,704
Net assets at end of year	\$ 32,148,583	7,869,241

Trusteed Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
-	6,059,026
<u>941,014</u>	<u>1,335,329</u>
941,014	7,394,355
1,544,747	1,872,716
-	81,763
<u>10,687</u>	<u>2,413,858</u>
1,555,434	4,368,337
<u>(614,420)</u>	<u>3,026,018</u>
<u>384,311</u>	<u>(64,774)</u>
(230,109)	2,961,244
<u>18,238,713</u>	<u>55,065,184</u>
<u>18,008,604</u>	<u>58,026,428</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund	
	Safe Water	1992 Safe Water
Operating activities:		
Operating expenses	\$ -	(2,349)
Net cash (used) by operating activities	-	(2,349)
Investing activities:		
Proceeds from maturity or sale of investments	-	1,897,165
Purchase of investments	-	(6,322,840)
Interest received on investments, net of purchased interest	-	328,871
Interest received on projects	-	644,605
Principal collected on projects	-	2,480,167
Net cash provided (used) by investing activities	-	(972,032)
Noncapital financing activities:		
Redemption of bonds	-	-
Interest paid on bonds, net of purchased interest	-	-
Transfers (to) from other funds	-	(2,042,203)
Net cash (used) by noncapital financing activities	-	(2,042,203)
Net (decrease) in cash and cash equivalents	-	(3,016,584)
Cash and cash equivalents at beginning of year	-	3,121,522
Cash and cash equivalents at end of year	\$ -	104,938
Reconciliation of operating income (loss) to net cash (used) by operating activities:		
Operating income (loss)	3,248,472	391,966
Adjustments:		
Investment income	-	(394,315)
Operating expense	2,400,822	-
Interest on bonds	327,969	-
Loan income	(6,059,026)	-
Amortization of bond issuance expense	81,763	-
Net cash (used) by operating activities	\$ -	(2,349)

Trusteed Fund

1997 Safe Water	Fund Total
(10,687)	(13,036)
(10,687)	(13,036)
12,106,558	14,003,723
(13,864,454)	(20,187,294)
857,371	1,186,242
3,247,373	3,891,978
12,494,506	14,974,673
14,841,354	13,869,322
(17,335,000)	(17,335,000)
(1,626,056)	(1,626,056)
1,977,431	(64,772)
(16,983,625)	(19,025,828)
(2,152,958)	(5,169,542)
8,292,071	11,413,593
6,139,113	6,244,051
(614,420)	3,026,018
(941,014)	(1,335,329)
-	2,400,822
1,544,747	1,872,716
-	(6,059,026)
-	81,763
(10,687)	(13,036)

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

Schedule of Combining Balance Sheets

December 31, 2006

	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	\$ 9,411,774	7,995	33,284
Investments	59,829,579	911	3,623
Loan receivables	185,603,823	-	-
Total restricted assets	<u>254,845,176</u>	<u>8,906</u>	<u>36,907</u>
Deferred bond issuance expense	1,105,046	-	-
Total assets	<u>\$ 255,950,222</u>	<u>8,906</u>	<u>36,907</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	13,926	92,759	379,426
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A&B	26,790,000	-	-
Total current liabilities payable from restricted assets	<u>26,803,926</u>	<u>92,759</u>	<u>379,426</u>
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 2002A&B, net of premium and deferred losses	96,292,407	-	-
Total noncurrent liabilities	<u>96,292,407</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>123,096,333</u>	<u>92,759</u>	<u>379,426</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	123,491,984	(83,853)	(342,519)
Unrestricted	9,361,905	-	-
Total net assets	<u>132,853,889</u>	<u>(83,853)</u>	<u>(342,519)</u>
Total liabilities and net assets	<u>\$ 255,950,222</u>	<u>8,906</u>	<u>36,907</u>

Trusteed Fund

Fund
Total

9,453,053
59,834,113
185,603,823
254,890,989

1,105,046
255,996,035

486,111

26,790,000

27,276,111

96,292,407
96,292,407

123,568,518

123,065,612
9,361,905
132,427,517
255,996,035

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, 2006

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating revenues:			
Loan income	\$ 15,541,277	-	-
Investment income	3,256,185	65,836	51,296
Total operating revenues	18,797,462	65,836	51,296
Operating expenses:			
Interest on bonds	2,661,081	1,415,108	4,884,046
Amortization of bond issuance expense	625,377	-	-
Other	2,145,942	51,099	3,732
Total operating expenses	5,432,400	1,466,207	4,887,778
Operating income (loss)	13,365,062	(1,400,371)	(4,836,482)
Transfers in (out), net	(5,693,494)	1,421,590	4,895,442
Change in net assets	7,671,568	21,219	58,960
Net assets at beginning of year	125,182,321	(105,072)	(401,479)
Net assets at end of year	\$ 132,853,889	(83,853)	(342,519)

Trusted Fund

Fund
Total

15,541,277
3,373,317
18,914,594

8,960,235
625,377
2,200,773
11,786,385

7,128,209

623,538
7,751,747

124,675,770
132,427,517

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating activities:			
Operating expenses	\$ (358,920)	(51,099)	(3,732)
Net cash (used) by operating activities	(358,920)	(51,099)	(3,732)
Investing activities:			
Proceeds from maturity or sale of investments	281,314,388	25,600,000	4,800,000
Purchase of investments	(305,109,604)	(25,600,000)	(4,800,000)
Interest received on investments, net of purchased interest	2,644,983	65,036	47,691
Interest received on projects	14,307,248	-	-
Principal collected on projects	26,962,839	-	-
Payment for construction of projects	(450,625)	-	-
Net cash provided by investing activities	19,669,229	65,036	47,691
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(829,513)	(1,469,825)	(4,914,000)
Redemption of bonds	(22,370,000)	(13,890,000)	(7,900,000)
Transfers (to) from other funds	(27,483,495)	15,311,590	12,795,441
Net cash (used) by noncapital financing activities	(50,683,008)	(48,235)	(18,559)
Net increase (decrease) in cash and cash equivalents	(31,372,699)	(34,298)	25,400
Cash and cash equivalents at beginning of year	40,784,473	42,293	7,884
Cash and cash equivalents at end of year	\$ 9,411,774	7,995	33,284
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	13,365,062	(1,400,371)	(4,836,482)
Adjustments:			
Investment income	(3,256,185)	(65,836)	(51,296)
Operating expense	1,787,022	-	-
Interest on bonds	2,661,081	1,415,108	4,884,046
Loan income	(15,541,277)	-	-
Amortization of bond issuance expense	625,377	-	-
Net cash (used) by operating activities	\$ (358,920)	(51,099)	(3,732)

Trusteed Fund

Fund
Total

(413,751)
(413,751)

311,714,388
(335,509,604)
2,757,710
14,307,248
26,962,839
(450,625)
19,781,956

(7,213,338)
(44,160,000)
623,536
(50,749,802)
(31,381,597)
40,834,650
9,453,053

7,128,209

(3,373,317)
1,787,022
8,960,235
(15,541,277)
625,377
(413,751)

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

Schedule of Combining Balance Sheets

December 31, 2006

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 32,203,380	639,699	622,984
Investments	291,202,944	2,803	1,994,720
Loan receivables	<u>2,266,328,674</u>	-	-
Total restricted assets	2,589,734,998	<u>642,502</u>	<u>2,617,704</u>
Other receivables	-	-	-
Deferred bond issuance and other expense	<u>23,778,839</u>	-	-
Total assets	<u>\$ 2,613,513,837</u>	<u>642,502</u>	<u>2,617,704</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Accounts payable	38,926,193	-	-
Water Pollution Control Loan Fund Revenue & Refunding Bonds:			
State Match Series 2000 - 2005	-	-	-
Water Quality Series 1997 - 2004	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities payable from restricted assets	38,926,193	-	-
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue & Refunding Bonds:			
State Match Series 2000 - 2005, net of premiums and deferred losses	-	-	-
Water Quality Series 1997 - 2005B, net of premiums and deferred losses	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	-	-	-
Total liabilities	<u>38,926,193</u>	<u>-</u>	<u>-</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	2,574,587,644	642,502	2,617,704
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>2,574,587,644</u>	<u>642,502</u>	<u>2,617,704</u>
Total liabilities and net assets	<u>\$ 2,613,513,837</u>	<u>642,502</u>	<u>2,617,704</u>

Trusteed Fund

		2001	2005			
1995	2000	State Match	State Match	1995	1997	2001
State Match	State Match	Bond Proceeds	Bond Proceeds	Water Quality	Water Quality	Water Quality
Bond Proceeds	Bond Proceeds	Refunding	Refunding	Bond Proceeds	Bond Proceeds	Note Proceeds
363,732	4,017,061	326,316	26,740	2,798,231	15,409,070	4,420,468
5,250,292	3,509,050	2,989,416	113	12,272	10,019,968	19,407
-	-	-	-	-	-	-
5,614,024	7,526,111	3,315,732	26,853	2,810,503	25,429,038	4,439,875
-	193,321	-	-	214,813	2,843,687	-
-	299,387	268,175	141,518	-	279,804	-
5,614,024	8,018,819	3,583,907	168,371	3,025,316	28,552,529	4,439,875
-	109,528	158,133	73,100	-	156,951	-
12,003	-	-	5,045	-	-	-
-	5,570,000	4,120,000	5,000,000	-	-	-
-	-	-	-	-	8,930,000	-
12,003	5,679,528	4,278,133	5,078,145	-	9,086,951	-
-	19,054,236	33,563,880	13,615,183	-	-	-
-	-	-	-	-	27,925,993	-
-	19,054,236	33,563,880	13,615,183	-	27,925,993	-
12,003	24,733,764	37,842,013	18,693,328	-	37,012,944	-
5,602,021	(16,714,945)	(34,258,106)	(18,524,957)	3,025,316	(8,460,415)	4,439,875
-	-	-	-	-	-	-
5,602,021	(16,714,945)	(34,258,106)	(18,524,957)	3,025,316	(8,460,415)	4,439,875
5,614,024	8,018,819	3,583,907	168,371	3,025,316	28,552,529	4,439,875

(Continued)

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

Schedule of Combining Balance Sheets, Continued

December 31, 2006

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 19,815,065	837,093	979,605
Investments	6,375,457	11,035,338	167,578,971
Loan receivables	-	-	-
Total restricted assets	<u>26,190,522</u>	<u>11,872,431</u>	<u>168,558,576</u>
Other receivables	-	-	-
Deferred bond issuance and other expense	177,501	862,283	3,029,828
Total assets	<u>\$ 26,368,023</u>	<u>12,734,714</u>	<u>171,588,404</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	117,874	588,072	1,967,968
Accounts payable	-	-	-
Water Pollution Control Loan Fund Revenue & Refunding Bonds:			
State Match Series 2000 - 2005	-	-	-
Water Quality Series 1997 - 2004	1,330,000	12,955,000	15,060,000
Total current liabilities payable from restricted assets	<u>1,447,874</u>	<u>13,543,072</u>	<u>17,027,968</u>
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue & Refunding Bonds:			
State Match Series 2000 - 2005, net of premiums and deferred losses	-	-	-
Water Quality Series 1997 - 2005B, net of premiums and deferred losses	28,719,234	129,737,571	504,257,733
Total noncurrent liabilities	<u>28,719,234</u>	<u>129,737,571</u>	<u>504,257,733</u>
Total liabilities	<u>30,167,108</u>	<u>143,280,643</u>	<u>521,285,701</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	(3,799,085)	(130,545,929)	(349,697,297)
Unrestricted	-	-	-
Total net assets	<u>(3,799,085)</u>	<u>(130,545,929)</u>	<u>(349,697,297)</u>
Total liabilities and net assets	<u>\$ 26,368,023</u>	<u>12,734,714</u>	<u>171,588,404</u>

Trusteed Fund

2004	2005		
Water Quality Rev Ref Bond Proceeds	2005B Water Quality Bond Proceeds	Water Quality Rev Ref Bond Proceeds	Fund Total
46,378	534,539	115,651	83,156,012
197	349,414,585	411	849,405,944
-	-	-	<u>2,266,328,674</u>
<u>46,575</u>	<u>349,949,124</u>	<u>116,062</u>	<u>3,198,890,630</u>
-	-	-	3,251,821
373,360	3,104,872	1,617,628	33,933,195
<u>419,935</u>	<u>353,053,996</u>	<u>1,733,690</u>	<u>3,236,075,646</u>
265,229	1,462,962	950,466	5,850,283
5,000	-	-	38,948,241
-	-	-	14,690,000
-	-	-	<u>38,275,000</u>
<u>270,229</u>	<u>1,462,962</u>	<u>950,466</u>	<u>97,763,524</u>
-	-	-	66,233,299
<u>65,568,666</u>	<u>471,881,881</u>	<u>228,468,083</u>	<u>1,456,559,161</u>
65,568,666	471,881,881	228,468,083	1,522,792,460
<u>65,838,895</u>	<u>473,344,843</u>	<u>229,418,549</u>	<u>1,620,555,984</u>
(65,418,960)	(120,290,847)	(227,684,859)	1,615,519,662
-	-	-	-
<u>(65,418,960)</u>	<u>(120,290,847)</u>	<u>(227,684,859)</u>	<u>1,615,519,662</u>
<u>419,935</u>	<u>353,053,996</u>	<u>1,733,690</u>	<u>3,236,075,646</u>

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

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

Year ended December 31, 2006

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 71,624,622	-	-
Investment income	13,371,084	33,995	117,353
Total operating revenues	<u>84,995,706</u>	<u>33,995</u>	<u>117,353</u>
Operating expenses:			
Interest on bonds	-	-	-
Amortization of bond issuance expense	-	-	-
Other	4,367,559	-	3,579
Total operating expenses	<u>4,367,559</u>	<u>-</u>	<u>3,579</u>
Operating income (loss)	<u>80,628,147</u>	<u>33,995</u>	<u>113,774</u>
Nonoperating other revenues (expenses)	1,736	-	-
Income (loss) before contributions and transfers	<u>80,629,883</u>	<u>33,995</u>	<u>113,774</u>
Contribution from U.S. EPA	85,520,587	-	-
Transfers in (out), net	195,012,395	(140,602)	(295,269)
Change in net assets	<u>361,162,865</u>	<u>(106,607)</u>	<u>(181,495)</u>
Net assets at beginning of year	<u>2,213,424,779</u>	<u>749,109</u>	<u>2,799,199</u>
Net assets at end of year	<u>\$ 2,574,587,644</u>	<u>642,502</u>	<u>2,617,704</u>

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds Refunding	2005 State Match Bond Proceeds Refunding	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	-	-	-	-	-	-
350,294	482,532	254,034	17,416	137,749	1,490,870	265,033
350,294	482,532	254,034	17,416	137,749	1,490,870	265,033
185,907	1,433,842	1,955,838	794,497	-	2,030,746	-
90,372	49,898	26,818	9,435	-	79,944	-
5,940	8,460	-	4,867	26,490	42,800	(91,917)
282,219	1,492,200	1,982,656	808,799	26,490	2,153,490	(91,917)
68,075	(1,009,668)	(1,728,622)	(791,383)	111,259	(662,620)	356,950
11,803	30,622	-	(5,045)	-	-	-
79,878	(979,046)	(1,728,622)	(796,428)	111,259	(662,620)	356,950
-	-	-	-	-	-	-
5,120,119	6,870,234	6,515,955	915,489	(156,438)	8,112,142	(3,813,086)
5,199,997	5,891,188	4,787,333	119,061	(45,179)	7,449,522	(3,456,136)
402,024	(22,606,133)	(39,045,439)	(18,644,018)	3,070,495	(15,909,937)	7,896,011
5,602,021	(16,714,945)	(34,258,106)	(18,524,957)	3,025,316	(8,460,415)	4,439,875

(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, 2006

	Trusteed Fund		
	2002	2003	2004
	Water Quality Bond Proceeds	Water Quality Bond Proceeds	Water Quality Bond Proceeds
Operating revenues:			
Loan income	\$ -	-	-
Investment income	1,743,335	881,532	6,248,158
Total operating revenues	<u>1,743,335</u>	<u>881,532</u>	<u>6,248,158</u>
Operating expenses:			
Interest on bonds	1,291,766	6,278,496	19,969,856
Amortization of bond issuance expense	22,187	95,809	163,775
Other	25,208	2,009	42,293
Total operating expenses	<u>1,339,161</u>	<u>6,376,314</u>	<u>20,175,924</u>
Operating income (loss)	<u>404,174</u>	<u>(5,494,782)</u>	<u>(13,927,766)</u>
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before contributions and transfers	<u>404,174</u>	<u>(5,494,782)</u>	<u>(13,927,766)</u>
Contribution from U.S. EPA	-	-	-
Transfers in (out), net	(16,470,853)	18,842,949	(122,865,739)
Change in net assets	<u>(16,066,679)</u>	<u>13,348,167</u>	<u>(136,793,505)</u>
Net assets at beginning of year	12,267,594	(143,894,096)	(212,903,792)
Net assets at end of year	<u>\$ (3,799,085)</u>	<u>(130,545,929)</u>	<u>(349,697,297)</u>

Trusteed Fund

2004	2005B	2005	
Water Quality Rev Ref Bond Proceeds	Water Quality Bond Proceeds	Water Quality Rev Ref Bond Proceeds	Fund Total
-	-	-	71,624,622
60,540	16,236,389	214,249	41,904,563
60,540	16,236,389	214,249	113,529,185
2,785,323	19,814,713	10,457,689	66,998,673
46,670	163,414	95,155	843,477
12,142	66,455	16,473	4,532,358
2,844,135	20,044,582	10,569,317	72,374,508
(2,783,595)	(3,808,193)	(10,355,068)	41,154,677
-	-	-	39,116
(2,783,595)	(3,808,193)	(10,355,068)	41,193,793
-	-	-	85,520,587
3,134,982	(111,960,244)	11,177,966	-
351,387	(115,768,437)	822,898	126,714,380
(65,770,347)	(4,522,410)	(228,507,757)	1,488,805,282
(65,418,960)	(120,290,847)	(227,684,859)	1,615,519,662

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating activities:			
Operating expenses	\$ (4,367,559)	-	(3,579)
Net cash (used) by operating activities	<u>(4,367,559)</u>	<u>-</u>	<u>(3,579)</u>
Investing activities:			
Proceeds from maturity or sale of investments	6,685,749,016	-	-
Purchase of investments	(6,722,419,385)	-	-
Interest received on investments, net of purchased interest	11,751,799	33,509	116,692
Interest received on projects	57,006,639	-	-
Principal collected on projects	102,997,667	-	-
Payment for construction of projects	(408,060,463)	-	-
Net cash provided (used) by investing activities	<u>(272,974,727)</u>	<u>33,509</u>	<u>116,692</u>
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	-	-
Redemption of bonds	-	-	-
Contribution from U.S. EPA	85,520,587	-	-
Transfers (to) from other funds	195,012,400	(140,602)	(295,269)
Net cash provided (used) by noncapital financing activities	<u>280,532,987</u>	<u>(140,602)</u>	<u>(295,269)</u>
Net increase (decrease) in cash and cash equivalents	3,190,701	(107,093)	(182,156)
Cash and cash equivalents at beginning of year	29,012,679	746,792	805,140
Cash and cash equivalents at end of year	<u>\$ 32,203,380</u>	<u>639,699</u>	<u>622,984</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	80,628,147	33,995	113,774
Adjustments:			
Investment income	(13,371,084)	(33,995)	(117,353)
Operating expense	-	-	-
Interest on bonds	-	-	-
Loan income	(71,624,622)	-	-
Amortization of bond issuance expense	-	-	-
Net cash (used) by operating activities	<u>\$ (4,367,559)</u>	<u>-</u>	<u>(3,579)</u>

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds Refunding	2005 State Match Bond Proceeds Refunding	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
(5,940)	(8,460)	-	(4,867)	(26,490)	(42,800)	(3,840)
<u>(5,940)</u>	<u>(8,460)</u>	<u>-</u>	<u>(4,867)</u>	<u>(26,490)</u>	<u>(42,800)</u>	<u>(3,840)</u>
-	-	-	-	-	7,419,020	-
-	-	-	-	-	(7,419,020)	-
334,935	476,665	252,317	17,389	135,221	1,477,825	272,906
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>334,935</u>	<u>476,665</u>	<u>252,317</u>	<u>17,389</u>	<u>135,221</u>	<u>1,477,825</u>	<u>272,906</u>
(204,880)	(1,570,925)	(2,068,095)	(878,325)	-	(2,195,525)	-
(5,280,000)	(6,275,000)	(4,545,000)	(50,000)	-	(7,850,000)	-
-	-	-	-	-	-	-
<u>5,120,118</u>	<u>6,870,233</u>	<u>6,515,955</u>	<u>915,489</u>	<u>(156,437)</u>	<u>8,112,142</u>	<u>(3,813,086)</u>
<u>(364,762)</u>	<u>(975,692)</u>	<u>(97,140)</u>	<u>(12,836)</u>	<u>(156,437)</u>	<u>(1,933,383)</u>	<u>(3,813,086)</u>
(35,767)	(507,487)	155,177	(314)	(47,706)	(498,358)	(3,544,020)
399,499	4,524,548	171,139	27,054	2,845,937	15,907,428	7,964,488
<u>363,732</u>	<u>4,017,061</u>	<u>326,316</u>	<u>26,740</u>	<u>2,798,231</u>	<u>15,409,070</u>	<u>4,420,468</u>
68,075	(1,009,668)	(1,728,622)	(791,383)	111,259	(662,620)	356,950
(350,294)	(482,532)	(254,034)	(17,416)	(137,749)	(1,490,870)	(265,033)
-	-	-	-	-	-	(95,757)
185,907	1,433,842	1,955,838	794,497	-	2,030,746	-
-	-	-	-	-	-	-
90,372	49,898	26,818	9,435	-	79,944	-
<u>(5,940)</u>	<u>(8,460)</u>	<u>-</u>	<u>(4,867)</u>	<u>(26,490)</u>	<u>(42,800)</u>	<u>(3,840)</u>

(Continued)

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

Schedule of Combining Statements of Cash Flows, Continued

Year ended December 31, 2006

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
Operating activities:			
Operating expenses	\$ (25,208)	(2,009)	(42,293)
Net cash (used) by operating activities	(25,208)	(2,009)	(42,293)
Investing activities:			
Proceeds from maturity or sale of investments	1,709,977	13,780,075	185,023,994
Purchase of investments	(1,709,977)	(13,780,075)	(31,546,153)
Interest received on investments, net of purchased interest	1,768,864	871,171	6,516,074
Interest received on projects	-	-	-
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	-
Net cash provided (used) by investing activities	1,768,864	871,171	159,993,915
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(1,437,712)	(7,435,887)	(24,004,270)
Redemption of bonds	(995,000)	(11,660,000)	(12,955,000)
Contribution from U.S. EPA	-	-	-
Transfers (to) from other funds	(16,470,853)	18,842,948	(122,865,738)
Net cash provided (used) by noncapital financing activities	(18,903,565)	(252,939)	(159,825,008)
Net increase (decrease) in cash and cash equivalents	(17,159,909)	616,223	126,614
Cash and cash equivalents at beginning of year	36,974,974	220,870	852,991
Cash and cash equivalents at end of year	\$ 19,815,065	837,093	979,605
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	404,174	(5,494,782)	(13,927,766)
Adjustments:			
Investment income	(1,743,335)	(881,532)	(6,248,158)
Operating expense	-	-	-
Interest on bonds	1,291,766	6,278,496	19,969,856
Loan income	-	-	-
Amortization of bond issuance expense	22,187	95,809	163,775
Net cash (used) by operating activities	\$ (25,208)	(2,009)	(42,293)

Tusteed Fund

2004 Water Quality Rev Ref Bond Proceeds	2005B Water Quality Bond Proceeds	2005 Water Quality Rev Ref Bond Proceeds	Fund Total
(12,142)	(66,455)	(16,473)	(4,628,115)
(12,142)	(66,455)	(16,473)	(4,628,115)
2,115,043	83,919,452	8,020,663	6,987,737,240
(2,115,043)	(24,980,419)	(8,020,663)	(6,811,990,735)
60,487	20,258,921	214,301	44,559,076
-	-	-	57,006,639
-	-	-	102,997,667
-	-	-	(408,060,463)
60,487	79,197,954	214,301	(27,750,576)
(3,182,750)	(17,555,550)	(11,405,587)	(71,939,506)
-	-	-	(49,610,000)
-	-	-	85,520,587
3,134,982	(111,960,244)	11,177,962	-
(47,768)	(129,515,794)	(227,625)	(36,028,919)
577	(50,384,295)	(29,797)	(68,407,610)
45,801	50,918,834	145,448	151,563,622
46,378	534,539	115,651	83,156,012
(2,783,595)	(3,808,193)	(10,355,068)	41,154,677
(60,540)	(16,236,389)	(214,249)	(41,904,563)
-	-	-	(95,757)
2,785,323	19,814,713	10,457,689	66,998,673
-	-	-	(71,624,622)
46,670	163,414	95,155	843,477
(12,142)	(66,455)	(16,473)	(4,628,115)

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

Schedule of Combining Balance Sheets

December 31, 2006

	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	\$ 35,814,180	1,198,933	290,420
Investments	2,746,864	5,252	1,519,581
Loan receivables	346,021,966	15,052,091	-
Total restricted assets	384,583,010	16,256,276	1,810,001
Deferred bond and note issuance expense	-	-	210,534
Total assets	\$ 384,583,010	16,256,276	2,020,535
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	74,182
Due to other funds	503,448	-	-
Accounts payable	11,547,552	-	-
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002 - 2004	-	-	2,150,000
Leverage Series 2002 - 2005B	-	-	-
Total current liabilities payable from restricted assets	12,051,000	-	2,224,182
Noncurrent liabilities:			
Drinking Water Assistance Revenue & Refunding Bonds & Notes:			
State Match Series 2002 - 2004, net of discount and premium	-	-	18,316,384
Leverage Series 2002 - 2006, net of premiums & deferred loss	-	-	-
Total noncurrent liabilities	-	-	18,316,384
Total liabilities	12,051,000	-	20,540,566
 <u>Net Assets</u>			
Restricted for debt and grant covenants	372,532,010	16,256,276	(18,520,031)
Unrestricted	-	-	-
Total net assets	372,532,010	16,256,276	(18,520,031)
Total liabilities and net assets	\$ 384,583,010	16,256,276	2,020,535

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	2005 Leverage Bond Proceeds Refunding	2005B Leverage Bond Proceeds	2006 Leverage Note Proceeds	Fund Total
3,752,539	4,130,348	6,217,347	58,707	40,068	69,885,664	121,388,206
1,807,228	3,452,558	3,168,866	240	32,459,001	165,234	45,324,824
-	-	-	-	-	-	361,074,057
<u>5,559,767</u>	<u>7,582,906</u>	<u>9,386,213</u>	<u>58,947</u>	<u>32,499,069</u>	<u>70,050,898</u>	<u>527,787,087</u>
237,078	137,819	477,642	318,720	467,750	110,789	1,960,332
<u>5,796,845</u>	<u>7,720,725</u>	<u>9,863,855</u>	<u>377,667</u>	<u>32,966,819</u>	<u>70,161,687</u>	<u>529,747,419</u>
114,167	69,585	243,025	159,181	231,585	165,278	1,057,003
-	-	-	-	-	-	503,448
-	-	-	-	111,309	-	11,658,861
2,615,000	-	-	-	-	-	4,765,000
-	1,450,000	1,360,000	-	940,000	-	3,750,000
<u>2,729,167</u>	<u>1,519,585</u>	<u>1,603,025</u>	<u>159,181</u>	<u>1,282,894</u>	<u>165,278</u>	<u>21,734,312</u>
29,472,058	-	-	-	-	-	47,788,442
-	17,606,778	67,038,515	38,517,000	61,671,952	70,000,000	254,834,245
<u>29,472,058</u>	<u>17,606,778</u>	<u>67,038,515</u>	<u>38,517,000</u>	<u>61,671,952</u>	<u>70,000,000</u>	<u>302,622,687</u>
32,201,225	19,126,363	68,641,540	38,676,181	62,954,846	70,165,278	324,356,999
(26,404,380)	(11,405,638)	(58,777,685)	(38,298,514)	(29,988,027)	(3,591)	205,390,420
-	-	-	-	-	-	-
<u>(26,404,380)</u>	<u>(11,405,638)</u>	<u>(58,777,685)</u>	<u>(38,298,514)</u>	<u>(29,988,027)</u>	<u>(3,591)</u>	<u>205,390,420</u>
<u>5,796,845</u>	<u>7,720,725</u>	<u>9,863,855</u>	<u>377,667</u>	<u>32,966,819</u>	<u>70,161,687</u>	<u>529,747,419</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, 2006

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 11,453,984	-	-
Investment income	1,276,032	57,236	165,660
Administrative fees from projects	981,839	-	-
Total operating revenues	<u>13,711,855</u>	<u>57,236</u>	<u>165,660</u>
Operating expenses:			
Interest on bonds and notes	-	-	932,261
Amortization of bond and note issuance expense	-	-	12,760
Other	2,516,177	-	2,815
Total operating expenses	<u>2,516,177</u>	<u>-</u>	<u>947,836</u>
Operating income (loss)	<u>11,195,678</u>	<u>57,236</u>	<u>(782,176)</u>
Nonoperating other (expenses)	-	-	-
Income (loss) before contributions and transfers	<u>11,195,678</u>	<u>57,236</u>	<u>(782,176)</u>
Contribution from U.S. EPA	22,681,654	-	-
Transfers in (out), net	52,778,776	-	1,820,668
Change in net assets	<u>86,656,108</u>	<u>57,236</u>	<u>1,038,492</u>
Net assets at beginning of year	285,875,902	16,199,040	(19,558,523)
Net assets at end of year	<u>\$ 372,532,010</u>	<u>16,256,276</u>	<u>(18,520,031)</u>

Trusteed Fund

Trusteed Fund						
2004	2002	2004	2005	2005B	2006	
State Match	Leverage	Leverage	Leverage	Leverage	Leverage	Fund
Bond Proceeds	Bond Proceeds	Bond Proceeds	Bond Proceeds	Bond Proceeds	Note Proceeds	Total
			Refunding			
-	-	-	-	-	-	11,453,984
379,420	485,265	1,126,539	34,034	2,390,817	165,234	6,080,237
-	-	-	-	-	-	981,839
<u>379,420</u>	<u>485,265</u>	<u>1,126,539</u>	<u>34,034</u>	<u>2,390,817</u>	<u>165,234</u>	<u>18,516,060</u>
1,061,199	833,879	2,674,440	1,775,854	2,622,476	165,278	10,065,387
12,478	17,227	25,139	19,316	23,987	3,547	114,454
4,046	11,385	3,500	8,033	8,174	-	2,554,130
<u>1,077,723</u>	<u>862,491</u>	<u>2,703,079</u>	<u>1,803,203</u>	<u>2,654,637</u>	<u>168,825</u>	<u>12,733,971</u>
<u>(698,303)</u>	<u>(377,226)</u>	<u>(1,576,540)</u>	<u>(1,769,169)</u>	<u>(263,820)</u>	<u>(3,591)</u>	<u>5,782,089</u>
-	-	-	-	(111,309)	-	(111,309)
<u>(698,303)</u>	<u>(377,226)</u>	<u>(1,576,540)</u>	<u>(1,769,169)</u>	<u>(375,129)</u>	<u>(3,591)</u>	<u>5,670,780</u>
-	-	-	-	-	-	22,681,654
(496,963)	(623,001)	(25,765,510)	1,889,834	(29,603,804)	-	-
<u>(1,195,266)</u>	<u>(1,000,227)</u>	<u>(27,342,050)</u>	<u>120,665</u>	<u>(29,978,933)</u>	<u>(3,591)</u>	<u>28,352,434</u>
<u>(25,209,114)</u>	<u>(10,405,411)</u>	<u>(31,435,635)</u>	<u>(38,419,179)</u>	<u>(9,094)</u>	<u>-</u>	<u>177,037,986</u>
<u>(26,404,380)</u>	<u>(11,405,638)</u>	<u>(58,777,685)</u>	<u>(38,298,514)</u>	<u>(29,988,027)</u>	<u>(3,591)</u>	<u>205,390,420</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2006

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating activities:			
Administrative fees from projects	\$ 1,639,281	-	-
Operating expenses	(2,516,177)	-	(2,815)
Net cash (used) by operating activities	(876,896)	-	(2,815)
Investing activities:			
Proceeds from maturity or sale of investments	-	-	76,251
Purchase of investments	-	-	-
Interest received on investments, net of purchased interest	1,233,798	55,894	169,637
Interest received on projects	9,744,143	-	-
Principal collected on projects	18,342,697	-	-
Payment for construction of projects	(89,412,142)	-	-
Net cash provided (used) by investing activities	(60,091,504)	55,894	245,888
Noncapital financing activities:			
Interest paid on bonds	-	-	(944,375)
Proceeds of notes	-	-	-
Bond and note issuance expense	-	-	-
Redemption of bonds	-	-	(2,230,000)
Contribution from U.S. EPA	22,681,654	-	-
Transfers (to) from other funds	52,778,775	-	1,820,669
Net cash provided (used) by noncapital financing activities	75,460,429	-	(1,353,706)
Net increase (decrease) in cash and cash equivalents	14,492,029	55,894	(1,110,633)
Cash and cash equivalents at beginning of year	21,322,151	1,143,039	1,401,053
Cash and cash equivalents at end of year	\$ 35,814,180	1,198,933	290,420
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	11,195,678	57,236	(782,176)
Adjustments:			
Investment income	(1,276,032)	(57,236)	(165,660)
Interest on bonds and notes	-	-	932,261
Loan income	(11,453,984)	-	-
Amortization of bond and note issuance expense	-	-	12,760
Net change in other assets and other liabilities	657,442	-	-
Net cash (used) by operating activities	\$ (876,896)	-	(2,815)

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	2005 Leverage Bond Proceeds Refunding	2005B Leverage Bond Proceeds	2006 Leverage Note Proceeds	Fund Total
-	-	-	-	-	-	1,639,281
(4,046)	(11,385)	(3,500)	(8,033)	(8,174)	-	(2,554,130)
(4,046)	(11,385)	(3,500)	(8,033)	(8,174)	-	(914,849)
-	-	-	-	22,498,758	-	22,575,009
-	-	(3,059,765)	-	(4,764,096)	-	(7,823,861)
388,127	490,588	1,147,187	33,965	2,406,064	-	5,925,260
-	-	-	-	-	-	9,744,143
-	-	-	-	-	-	18,342,697
-	-	-	-	-	-	(89,412,142)
388,127	490,588	(1,912,578)	33,965	20,140,726	-	(40,648,894)
(1,404,400)	(865,887)	(2,928,550)	(1,910,175)	(3,054,129)	-	(11,107,516)
-	-	-	-	-	70,000,000	70,000,000
-	-	-	-	(79,467)	(114,336)	(193,803)
(2,095,000)	(1,250,000)	(615,000)	-	(385,000)	-	(6,575,000)
-	-	-	-	-	-	22,681,654
(496,963)	(623,001)	(25,765,510)	1,889,833	(29,603,803)	-	-
(3,996,363)	(2,738,888)	(29,309,060)	(20,342)	(33,122,399)	69,885,664	74,805,335
(3,612,282)	(2,259,685)	(31,225,138)	5,590	(12,989,847)	69,885,664	33,241,592
7,364,821	6,390,033	37,442,485	53,117	13,029,915	-	88,146,614
3,752,539	4,130,348	6,217,347	58,707	40,068	69,885,664	121,388,206
(698,303)	(377,226)	(1,576,540)	(1,769,169)	(263,820)	(3,591)	5,782,089
(379,420)	(485,265)	(1,126,539)	(34,034)	(2,390,817)	(165,234)	(6,080,237)
1,061,199	833,879	2,674,440	1,775,854	2,622,476	165,278	10,065,387
-	-	-	-	-	-	(11,453,984)
12,478	17,227	25,139	19,316	23,987	3,547	114,454
-	-	-	-	-	-	657,442
(4,046)	(11,385)	(3,500)	(8,033)	(8,174)	-	(914,849)

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited the financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 23, 2007



Mary Taylor, CPA
Auditor of State

OHIO WATER DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**