OHIO WATER
DEVELOPMENT AUTHORITY

Financial Statements

December 31, 2011

(With Independent Auditors' Report Thereon)

Dave Yost • Auditor of State

Board of Directors
Ohio Water Development Authority
480 South High Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. 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.

Dave Yost
Auditor of State

May 7, 2012

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OHIO WATER DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 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, 2011, 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 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 27, 2012

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2011

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, 2011. 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 by $86,130,063 or 2.71%
- The Authority's loans receivable balance increased by $228,581,737 or 5.22%.
- The Authority's bonds and notes payable balance decreased by $193,919,095 or 6.18%.
- The Authority's cash, cash equivalents and investments balance decreased by $336,373,024 or 17.25%.

Overview of the Financial Statements

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

Combining financial statements. The Authority follows proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The *combining financial statements* are designed to provide readers with a broad overview of the Authority's finances by fund and in total. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements offer short and long-term financial information about its activities.

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2011. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements. The notes to financial statements can be found on pages 14-48 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 2011 and 2010, 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, 2011 and December 31, 2010:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2011	2010	Dollar Change	Total Percent Change
Current assets	$98,763	$76,947	$21,816	28.35%
Noncurrent restricted assets	6,046,153	6,155,436	(109,283)	(1.78%)
Noncurrent unrestricted assets	150,293	181,482	(31,189)	(17.19%)
Capital assets	1,512	1,611	(99)	(6.15%)
Total assets	6,296,721	6,415,476	(118,755)	(1.85%)
Current liabilities	296,508	274,555	21,953	8.00%
Noncurrent revenue bonds and notes payable	2,731,070	2,957,922	(226,852)	(7.67%)
Other noncurrent liabilities	220	206	14	6.80%
Total liabilities	3,027,798	3,232,683	(204,885)	(6.34%)
Net assets:				
Invested in capital assets	1,512	1,611	(99)	(6.15%)
Restricted	3,085,749	3,003,056	82,693	2.75%
Unrestricted	181,662	178,126	3,536	1.99%
Total net assets	3,268,923	3,182,793	86,130	2.71%
Total liabilities and net assets	$6,296,721	$6,415,476	$(118,755)	(1.85%)

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 $3,268,922,827 as of December 31, 2011, $3,085,749,270 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 2011, the Authority's net assets increased by $86,130,063 or 2.71%. The majority of this increase was due to the following:

- A $228,581,737 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A $193,919,095 decrease in bonds and notes payable caused by the scheduled redemption of debt.
- A $336,373,024 decrease in cash, cash equivalents and investments caused by the lending of bond proceeds and repayment of bonds payable.

The following table summarizes the changes in revenues and expenses for the Authority between 2011 and 2010:

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

(all amounts expressed in thousands of dollars)

	2011	2010	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	$142,540	$143,786	($1,246)	(0.87%)
Investment income	12,975	11,988	987	8.23%
Administrative fees from projects	2,595	2,498	97	3.88%
Total operating revenues	158,110	158,272	(162)	(0.10%)
Operating expenses:				
Interest on bonds and notes	114,449	115,015	(566)	(0.49%)
Amortization of bond and note issuance expense	1,726	2,288	(562)	(24.56%)
Loan principal forgiveness	27,906	212,403	(184,497)	(86.86%)
Other	13,777	16,621	(2,844)	(17.11%)
Total operating expenses	157,858	346,327	(188,469)	(54.42%)
Operating income (loss)	252	(188,055)	188,307	(100.13%)
Nonoperating other revenues	13	(5,641)	5,654	(100.23%)
Contribution from U.S. EPA	85,865	288,592	(202,727)	(70.25%)
Change in net assets	$86,130	$94,896	($8,766)	(9.24%)

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, 2011, the Authority had operating income of $252,281 compared to an operating loss of $188,055,648 in 2010, an increase of $188,307,929 or 100.13%. This increase in operating income was primarily attributed to an $184,497,905 decrease in loan principal forgiveness.

Debt Administration

As of December 31, 2011, the Authority had bond principal outstanding of $2,943,398,215. The Authority's debt represents bonds secured solely by loan repayments of pledged loans. The table below summarizes the amount of debt outstanding for 2011 and 2010.

Outstanding Debt at December 31, 2011 and December 31, 2010
(net of discount, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

	2011	2010
Revenue Bonds	$ 2,943,398	3,137,317

During 2011, the Authority issued the following bonds for the purpose of refinancing some of its existing debt to take advantage of favorable interest rates:

- Community Assistance Bonds—Community Assistance Series 2011A were issued to advance refund previously outstanding Community Assistance 2003 Bonds. This transaction enabled the Authority to save $5,956,509 in future debt service payments.
- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2011A were issued to advance refund previously outstanding Water Pollution Control Loan Fund Water Quality Series 2004 and 2005B Bonds. This transaction enabled the Authority to save $9,338,519 in future debt service payments.
- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2011B-1 were issued to advance refund previously outstanding Water Pollution Control Loan Fund Water Quality Series 2005B Bonds. This transaction enabled the Authority to save $11,936,632 in future debt service payments.
- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2011B-2 were issued to advance refund previously outstanding Water Pollution Control Loan Fund Water Quality Series 2004 Bonds. This transaction enabled the Authority to save $13,653,609 in future debt service payments.

The Authority continues to maintain strong ratings from Moody's, Standard & Poor's and Fitch. The table below summarizes the ratings from Moody's, Standard & Poor's and Fitch for the 2011 bond issuances of the Authority.

Bond Series	Moody's	Standard & Poor's	Fitch
Community Assistance Bonds	Aa1	—	AA+
WPCLF – Water Quality Bonds	Aaa	AAA	—

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-44 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, 2011

		Trusteed Funds				
Assets		Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Current assets:						
Cash and cash equivalents -- Note 2	$	706,163	-	17,041,846	19,345,011	-
Investments -- Note 2		1,119,964	-	57,191,989	-	-
Receivables:						
Loan and fee receivables		614,191	-	2,738,560	-	-
Other		5,151	-	-	-	-
Total current assets		2,445,469	-	76,972,395	19,345,011	-
Noncurrent assets:						
Restricted grant, bond and note covenant assets:						
Cash and cash equivalents -- Note 2		-	-	-	-	5,452,485
Investments -- Note 2		-	-	-	-	51,995,582
Loan receivables		-	-	-	-	192,071,444
Total noncurrent restricted assets		-	-	-	-	249,519,511
Investments -- Note 2		2,037,885	-	9,435,216	-	-
Loan receivables		-	42,773	47,012,590	16,335,350	-
Other receivables		-	-	-	-	50,332
Deferred debt issuance and other expense		-	-	-	-	1,092,147
Due from other funds -- Note 3		163,932	-	-	-	-
Capital assets, at depreciated cost		1,511,829	-	-	-	-
Total noncurrent unrestricted assets		3,713,646	42,773	56,447,806	16,335,350	1,142,479
Total assets	$	6,159,115	42,773	133,420,201	35,680,361	250,661,990
Liabilities						
Current liabilities:						
Accounts payable	$	144,893	-	129,631	-	-
Current liabilities payable from restricted assets:						
Due to other funds -- Note 3		-	-	-	-	-
Accounts payable		-	-	-	115,001	3,695,344
Accrued interest		-	-	-	-	473,604
Revenue bonds payable, net of premiums		-	-	-	-	6,560,000
Total current liabilities payable from restricted assets		-	-	-	115,001	10,728,948
Noncurrent liabilities:						
Compensated absences		220,403	-	-	-	-
Revenue bonds and notes payable (net of discount, premiums and deferred losses)		-	-	-	-	113,639,522
Total noncurrent liabilities		220,403	-	-	-	113,639,522
Total liabilities		365,296	-	129,631	115,001	124,368,470
Net Assets						
Invested in capital assets		1,511,829	-	-	-	-
Restricted for debt and grant covenants		-	42,773	-	-	126,293,520
Unrestricted		4,281,990	-	133,290,570	35,565,360	-
Total net assets		5,793,819	42,773	133,290,570	35,565,360	126,293,520
Total liabilities and net assets	$	6,159,115	42,773	133,420,201	35,680,361	250,661,990

See accompanying notes to financial statements.

	Trusteed Funds		
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2011
-	-	-	37,093,020
-	-	-	58,311,953
-	-	-	3,352,751
-	-	-	5,151
-	-	-	98,762,875
37,906,932	126,394,238	40,129,667	209,883,322
187,798,439	958,058,780	98,935,968	1,296,788,769
947,674,994	2,869,645,852	530,088,959	4,539,481,249
1,173,380,365	3,954,098,870	669,154,594	6,046,153,340
-	-	-	11,473,101
-	-	-	63,390,713
1,290,497	5,017,878	452,524	6,811,231
3,922,356	61,222,123	2,217,268	68,453,894
-	-	-	163,932
-	-	-	1,511,829
5,212,853	66,240,001	2,669,792	151,804,700
1,178,593,218	4,020,338,871	671,824,386	6,296,720,915
-	-	-	274,524
-	-	163,932	163,932
13,095,855	51,281,337	4,927,269	73,114,806
2,196,781	6,742,853	1,212,970	10,626,208
38,303,478	140,535,000	26,929,803	212,328,281
53,596,114	198,559,190	33,233,974	296,233,227
-	-	-	220,403
508,834,170	1,823,596,740	284,999,502	2,731,069,934
508,834,170	1,823,596,740	284,999,502	2,731,290,337
562,430,284	2,022,155,930	318,233,476	3,027,798,088
-	-	-	1,511,829
607,639,126	1,998,182,941	353,590,910	3,085,749,270
8,523,808	-	-	181,661,728
616,162,934	1,998,182,941	353,590,910	3,268,922,827
1,178,593,218	4,020,338,871	671,824,386	6,296,720,915

OHIO WATER DEVELOPMENT AUTHORITY

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

Year ended December 31, 2011

		Trusted Funds			
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Operating revenues:					
Loan income	$ -	9,390	1,240,298	245,124	3,223,299
Investment income	45,036	-	401,875	2,874	198,336
Administrative fees from projects	2,228,244	-	-	-	-
Total operating revenues	2,273,280	9,390	1,642,173	247,998	3,421,635
Operating expenses:					
Interest on bonds and notes	-	-	-	-	4,907,736
Amortization of bond and note issuance expense	-	-	-	-	66,826
Loan principal forgiveness	-	-	-	-	-
Other	2,819,128	-	1,763,233	-	16,100
Total operating expenses	2,819,128	-	1,763,233	-	4,990,662
Operating income (loss)	(545,848)	9,390	(121,060)	247,998	(1,569,027)
Nonoperating other revenues	-	-	-	-	-
Income (loss) before contributions and transfers	(545,848)	9,390	(121,060)	247,998	(1,569,027)
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 14	8,143	(260,063)	4,161,607	-	-
Change in net assets	(537,705)	(250,673)	4,040,547	247,998	(1,569,027)
Net assets at beginning of year	6,331,524	293,446	129,250,023	35,317,362	127,862,547
Net assets at end of year	$ 5,793,819	42,773	133,290,570	35,565,360	126,293,520

See accompanying notes to financial statements.

	Trusteed Funds		
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2011
44,464,141	77,843,217	15,514,837	142,540,306
2,147,364	9,686,673	492,332	12,974,490
-	-	367,199	2,595,443
46,611,505	87,529,890	16,374,368	158,110,239
20,995,164	76,896,636	11,649,309	114,448,845
321,517	1,064,392	272,946	1,725,681
-	20,036,948	7,868,616	27,905,564
1,480,403	4,685,121	3,013,883	13,777,868
22,797,084	102,683,097	22,804,754	157,857,958
23,814,421	(15,153,207)	(6,430,386)	252,281
13,332	-	-	13,332
23,827,753	(15,153,207)	(6,430,386)	265,613
-	69,229,694	16,634,756	85,864,450
(3,901,544)	-	(8,143)	-
19,926,209	54,076,487	10,196,227	86,130,063
596,236,725	1,944,106,454	343,394,683	3,182,792,764
616,162,934	1,998,182,941	353,590,910	3,268,922,827

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2011

		Trusted Funds				
		Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Operating activities:						
Administrative fees from projects	$	2,145,603	-	-	-	-
Operating expenses		(861,804)	-	(447,568)	-	(16,100)
Salaries and fringes expense		(1,880,318)	-	-	-	-
Net cash (used) by operating activities		(596,519)	-	(447,568)	-	(16,100)
Investing activities:						
Proceeds from maturity or sale of investments		4,194,773	-	74,124,876	-	31,457,542
Purchase of investments		(3,618,024)	-	(79,735,897)	-	(44,955,419)
Interest received on investments, net of purchased interest		62,088	-	529,838	2,920	556,210
Interest received on projects		-	-	1,177,090	-	3,142,850
Principal collected on projects		-	-	5,903,033	10,287,581	9,569,881
Payment for construction of projects		-	-	(7,513,670)	(11,554,057)	(10,867,825)
Net cash provided (used) by investing activities		638,837	-	(5,514,730)	(1,263,556)	(11,096,761)
Noncapital financing activities:						
Interest paid on bonds and notes, net of purchased interest		-	-	-	-	(5,295,590)
Proceeds of bonds and notes		-	-	-	-	28,730,099
Bond and note issuance expense		-	-	-	-	(81,120)
Redemption of bonds and notes		-	-	-	-	(33,996,212)
Contribution from U.S. EPA		-	-	-	-	-
Other		-	-	-	-	-
Transfers (to) from other funds		-	-	4,161,607	-	-
Net cash provided (used) by noncapital financing activities		-	-	4,161,607	-	(10,642,823)
Net increase (decrease) in cash and cash equivalents		42,318	-	(1,800,691)	(1,263,556)	(21,755,684)
Cash and cash equivalents at beginning of year		663,845	-	18,842,140	20,608,344	27,208,150
Cash and cash equivalents at end of year -- Note 2	$	706,163	-	17,041,449	19,344,788	5,452,466
Reconciliation of operating income (loss) to net cash (used) by operating activities:						
Operating income (loss)	$	(545,848)	9,390	(121,060)	247,998	(1,569,027)
Adjustments:						
Investment income		(45,036)	-	(401,875)	(2,874)	(198,336)
Operating expenses		-	-	1,315,665	-	-
Interest on bonds and notes		-	-	-	-	4,907,736
Loan income		-	(9,390)	(1,240,298)	(245,124)	(3,223,299)
Amortization of bond and note issuance expense		-	-	-	-	66,826
Net change in other assets and other liabilities		(5,635)	-	-	-	-
Net cash (used) by operating activities	$	(596,519)	-	(447,568)	-	(16,100)

See accompanying notes to financial statements.

	Trusted Funds		
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2011
-	-	504,587	2,650,190
(1,265,770)	(4,685,121)	(3,013,883)	(10,290,246)
-	-	-	(1,880,318)
(1,265,770)	(4,685,121)	(2,509,296)	(9,520,374)
381,417,881	1,437,076,359	149,195,832	2,077,467,263
(336,042,373)	(1,396,206,498)	(144,492,744)	(2,005,050,955)
3,683,696	24,014,224	1,836,775	30,685,751
42,770,818	79,097,232	15,644,513	141,832,503
71,281,994	173,877,742	31,044,494	301,964,725
(97,179,946)	(402,329,963)	(42,921,486)	(572,366,947)
65,932,070	(84,470,904)	10,307,384	(25,467,660)
(25,100,282)	(81,899,053)	(14,370,267)	(126,665,192)
-	272,680,587	-	301,410,686
(51,647)	(494,217)	(22,914)	(649,898)
(35,170,000)	(390,525,360)	(24,105,000)	(483,796,572)
-	77,670,117	17,916,425	95,586,542
13,332	2,843,687	-	2,857,019
(4,161,607)	-	-	-
(64,470,204)	(119,724,239)	(20,581,756)	(211,257,415)
196,096	(208,880,264)	(12,783,668)	(246,245,449)
37,710,420	335,271,957	52,912,600	493,217,456
37,906,516	126,391,693	40,128,932	246,972,007
23,814,421	(15,153,207)	(6,430,386)	252,281
(2,147,364)	(9,686,673)	(492,332)	(12,974,490)
214,633	20,036,948	7,868,616	29,435,862
20,995,164	76,896,636	11,649,309	114,448,845
(44,464,141)	(77,843,217)	(15,514,837)	(142,540,306)
321,517	1,064,392	272,946	1,725,681
-	-	137,388	131,753
(1,265,770)	(4,685,121)	(2,509,296)	(9,520,374)

(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 toward repayment of the loan.

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

Industrial

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 11. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) Working Capital Fund

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

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

(Continued)

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

(c) Other Projects Fund – Unallocated Reserve

In March 1992, the Unallocated Reserve Account was established by a resolution of the Authority and is administered by a Trustee. Initial funding for the Unallocated Reserve Account was provided by an $8,300,000 transfer from the Pure Water Refunding Fund, which was consolidated into the Fresh Water Fund in 2010. 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 the Authority terminated in 2009.

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. Initial 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.

(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 10 to 20 years with interest at 5.33% to 5.70%.

(Continued)

(g) Other Projects Fund – Local Economic Development

The Local Economic Development Account was established during 1995 by a resolution of the Authority and is administered by a Trustee. Funding for the Local Economic Development Account was provided by a $4,196,200 transfer from the Safe Water Refunding Fund, which was consolidated into the Fresh Water Fund in 2007, and a $5,803,800 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

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

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 5 to 30 years with interest at 1.00 % to 4.28%.

(h) Other Projects Fund – Village Capital Improvements

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

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

(i) Other Projects Fund – Emergency Relief

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

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

As of December 31, 2011, the Authority has approved $4,984,846 in grant assistance to forty communities for damage caused by flooding in Ohio.

(Continued)

(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, 2011 was $2,125,192.

(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, 2011, two loans have been awarded from this account totaling $661,000 over 15 years with interest at 4.67% to 5.34%.

(l) Other Projects Fund – Security Assistance

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

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

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2011, 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.

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, Refunding (which was also consolidated into the

Fresh Water Fund in 2007), 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) Other Projects Fund – Unsewered Areas

The Unsewered Areas Account was established during 2009 by a resolution of the Authority and is administered by a Trustee. The Authority committed $10 million to the Unsewered Areas Account. As of December 31, 2011, $4,001,248 in funding has been provided by transfers from the Dam Safety Account.

The purpose of the account is to provide interest-free planning loans to unsewered areas where the LGA is considering the construction of a system of sewer facilities. These loans are to be repaid at a term not to exceed 10 years.

(o) 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 1.28% to 1.48%.

(p) Community Assistance Fund

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

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

Initial funding for the Community Assistance Fund was provided by a $15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997, Series 2003, Series 2007, Series 2010A and Series 2010B. The Water Development Revenue Refunding Bonds–Community Assistance Series 2005 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. The Water Development Revenue Refunding Bond Anticipation Notes, Series 2008A and 2008B, were issued to refund the Community Assistance Series 2007 Bonds. The Water Development Revenue Refunding Bonds–Community Assistance Series 2009 Bonds were issued to refund the

(Continued)

Community Assistance Series 2008B Bond Anticipation Notes. The Water Development Revenue Refunding Bonds–Community Assistance Series 2011 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance 2003 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

(q) Fresh Water Fund

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. The Water Development Revenue Bonds—Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002, Series 2004, Series 2010A-1, Series 2010A-2 and Water Development Revenue Notes – Fresh Water Commercial Paper Series 2007A, Series 2008D, Series 2008E, Series 2010A and Series 2010B were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue—Fresh Water Series 2001B, Series 2005, Series 2006A, Series 2009A and Series 2009B Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002 and Series 2004 Bonds. A portion of the Fresh Water Series 2009A Bonds were used to retire outstanding commercial paper issued in 2007 and 2008. A portion of the Fresh Water 2010A-1 and 2010A-2 Bonds were used to retire outstanding commercial paper issued in 2010. All Fresh Water loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

The balance of Fresh Water construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 2.87% to 7.38%.

On December 1, 2007, the Refunding Fund and the Safe Water Refunding Fund (Prior Funds) were closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from the Prior Funds are deposited into the Cross-Collateralization account in the Fresh Water Fund and are not pledged toward outstanding Fresh Water debt. The balance of the Prior Program loans is repaid by LGAs under terms of installment contracts over periods of 23.5 to 40 years with interest rates of 5.25% to 10.54%.

On December 1, 2010 The Pure Water Refunding Fund was closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from this Fund are deposited into the Cross-Collateralization account in the Fresh Water Fund and are not pledged toward outstanding Fresh Water debt. The balance of these loans is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 9.48%.

(Continued)

(r) *Water Pollution Control Loan Fund*

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

Construction costs are paid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 5.20%. LGA repayments of project costs are restricted for the purpose of providing additional moneys for projects or for debt service.

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

Year Awarded	Capitalization Grant	State Match
1989	$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1991	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
2005	60,663,240	12,132,648
2006	49,305,643	9,861,129
2007	60,252,687	12,050,537
2009*	297,239,893	15,323,359
2011	197,831,000	39,566,200
Total	$ 1,965,463,197	348,971,586

* The 2009 capitalization grant funding award included $220,623,100 in moneys from The American Recovery and Reinvestment Act (ARRA) with no state match required, and $76,616,793 in capitalization grant moneys requiring a 20% state match.

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, Series 1993, Series 1995, Series 2000, Series 2008 and Series 2010 and Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004, Series 2005B, Series 2010A, Series 2010B-1 and 2010B-2 (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, Series 2005, Series 2009, Series 2010C, Series 2011A, Series 2011B-1 and Series 2011B-2 (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 and Water Quality accounts 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, 2011 was $9,103,859.

(s) Drinking Water Assistance Fund

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

Construction costs are paid under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 4.66%. Repayments of project costs are restricted for the purpose of providing additional moneys for projects.

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

Year Awarded	Capitalization Grant	State Match
1998	$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
2007	24,671,000	4,934,200
2008	24,421,000	4,884,200
2009*	82,881,000	4,884,200
2011	73,389,000	14,677,800
Total	$ 469,119,400	82,131,880

(Continued)

* The 2009 capitalization grant funding award included $58,460,000 in moneys from ARRA with no state match required, and $24,421,000 in capitalization grant moneys requiring a 20% state match.

The DWAF received additional funding from the proceeds of the Drinking Water Assistance Fund Revenue Bond Anticipation Notes—State Match Series 2001 and the Drinking Water Assistance Fund Revenue Bonds and Notes—State Match Series 2002, Series 2004 and 2010A and Leverage Series 2002, Series 2004, Series 2005B, Series 2006, Series 2010A and Series 2010B. Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to refund a portion of the Leverage Series 2002 Series Bonds; Leverage Series 2008 were issued to refund the Leverage Series 2006 Notes; State Match Series 2010B were issued to refund a portion of State Match Series 2002 and 2004 Series Bonds; and the Leverage Series 2010C were issued to refund a portion of the Leverage Series 2002, 2004, 2005B and 2008 Series Bonds. The DWAF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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 net asset value).

(Continued)

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.

(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, 2011 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

(e) Loan Income as Defined by the Contracts

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

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

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

(g) Interfund Transfers/Net Assets

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) Capital Assets and Facilities

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

Capital asset activity for the year ended December 31, 2011 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)		1,538,699	17,375	(65,732)	1,490,342
Total capital assets	$	3,593,213	17,375	(65,732)	3,544,856
Less: Accumulated Depreciation-Building		(305,807)	(37,494)	–	(343,301)
Less: Accumulated Depreciation-Cap Impr		(214,761)	(31,852)	–	(246,613)
Less: Accumulated Depreciation-Other		(1,461,773)	(47,072)	65,732	(1,443,113)
Capital Assets, at Depreciated Cost	$	1,610,872	(99,043)	–	1,511,829

(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, 2011
- Noncurrent: Due after December 31, 2012
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

Within the Fresh Water Fund there exist both restricted and unrestricted net assets. Restricted net assets would be used to cover eligible expenses before unrestricted net assets would be used. 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, loan principal forgiveness and other operating expenses
- Nonoperating other revenues
- Contribution from U.S. EPA

(k) Risk Management

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

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

(Continued)

During 2011, 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, 2011, the Authority's carrying amount of deposits was $22,093,500 and bank balance of deposits was $22,076,162. Of this amount, $496,020 was covered by federal depository insurance, and $21,580,142 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, 2011 was $11,242,517. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

As of December 31, 2011, the Authority had the following investments and maturities:

		Investment Maturity (in Years)			
Fund - Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	$3,157,849	1,119,964	2,037,885	-	-
Other Projects:					
U.S. Treasuries	4,992,788	4,992,788	-	-	-
U.S. Agencies	59,503,476	52,193,452	7,310,024	-	-
STAROhio	13,485,411	13,485,411	-	-	-
Money Market	3,346,397	3,346,397	-	-	-
	81,328,072	74,018,048	7,310,024	-	-
Rural Utility Services:					
STAROhio	2,616,030	2,616,030	-	-	-
Money Market	16,728,981	16,728,981	-	-	-
	19,345,011	19,345,011	-	-	-

Fund - Investment Type	Fair Value	Investment Maturity (in Years) - Continued Less than 1	1 - 5	6 - 10	More Than 10
Community Assistance:					
U.S. Treasuries	$11,992,800	9,659,055	2,333,745	-	-
U.S. Agencies	40,002,782	30,519,431	9,483,351	-	-
STAROhio	627,646	627,646	-	-	-
Money Market	3,916,840	3,916,840	-	-	-
	56,540,068	44,722,972	11,817,096	-	-
Fresh Water:					
U.S. Treasuries	76,096,560	36,475,738	37,313,745	1,528,568	778,509
U.S. Agencies	103,499,762	65,748,194	37,751,568	-	-
Municipal Bonds	2,724,562	1,726,058	998,504	-	-
Investment Contract	5,477,555	-	-	-	5,477,555
STAROhio	13,630,254	13,630,254	-	-	-
Money Market	14,705,032	14,705,032	-	-	-
	216,133,725	132,285,276	76,063,817	1,528,568	6,256,064
Water Pollution Control Loan:					
U.S. Treasuries	125,893,347	45,683,545	79,220,752	898,430	90,620
U.S. Agencies	800,913,967	538,223,772	262,690,195	-	-
Municipal Bonds	3,500,145	2,316,600	1,183,545	-	-
Investment Contract	18,639,745	-	-	-	18,639,745
STAROhio	91,490,234	91,490,234	-	-	-
Money Market	27,172,103	27,172,103	-	-	-
	1,067,609,541	704,886,254	343,094,492	898,430	18,730,365
Drinking Water Assistance:					
U.S. Agencies	98,935,968	60,799,207	38,136,761	-	-
STAROhio	28,802,768	28,802,768	-	-	-
Money Market	8,361,146	8,361,146	-	-	-
	136,099,882	97,963,121	38,136,761	-	-

The Authority's U.S. Treasuries, U.S. Agencies and municipal bonds 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, 2011, 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 AA+ by Standard & Poor's and Aaa by Moody's. The Authority's investments in investment contracts were unrated. The Authority's investments in municipal bonds were rated within the top three long-term categories by Moody's and/or Standard & Poor's. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAm by Standard & Poor's. The Authority's money market investments were rated AAAm by Standard & Poor's and/or Aaa-mf by Moodys. As of December 31, 2011, 99.65% of the Authority's rated investments were rated in the highest short-term or long-term rating category by Moodys.

(Continued)

As of December 31, 2011, 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	35%
	Federal National Mortgage Association	31%
	Federal Farm Credit Bank	21%
	Federal Home Loan Mortgage Corporation	13%
Other Projects	Federal National Mortgage Association	41%
	Federal Home Loan Mortgage Corporation	16%
	Federal Home Loan Bank	14%
Community Assistance	Federal National Mortgage Association	40%
	Federal Home Loan Bank	30%
Fresh Water	Federal National Mortgage Association	36%
	Federal Home Loan Mortgage Corporation	15%
Water Pollution Control Loan	Federal National Mortgage Association	44%
	Federal Home Loan Mortgage Corporation	26%
	Federal Home Loan Bank	14%
Drinking Water Assistance	Federal National Mortgage Association	50%
	Federal Home Loan Bank	41%
	Federal Home Loan Mortgage Corporation	9%

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.

As of December 31, 2011, the Authority had cash and cash equivalents balances of $246,976,342, which includes accrued interest receivables on money market balances. Below is a reconciliation of balance sheet and cash flows cash and cash equivalents balances:

Fund		Balance Sheet Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Cash Flows Cash and Cash Equivalents Balance
Operating	$	706,163	-	706,163
Other Projects		17,041,846	(397)	17,041,449
Rural Utility Services		19,345,011	(223)	19,344,788
Community Assistance		5,452,485	(19)	5,452,466
Fresh Water		37,906,932	(416)	37,906,516
Water Pollution Control Loan		126,394,238	(2,545)	126,391,693
Drinking Water Assistance		40,129,667	(735)	40,128,932
	$	246,976,342	(4,335)	246,972,007

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which were caused by the timing of pending loan fee repayment allocations, consisted of $163,932 owed to the Operating Fund by the Drinking Water Assistance Fund on December 31, 2011.

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

As of December 31, 2011, there was $119,850,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2003	Serial	3.50% to 5.00%	2012-2017	$	1,950,000	2,765,000	4,715,000
	Term	4.625% to 5.00%	2014-2030		-	10,595,000	10,595,000
2005	Serial	5.25%	2012-2017		2,690,000	12,245,000	14,935,000
	Term	4.10% to 4.625%	2018-2024		-	11,365,000	11,365,000
2009	Serial	2.00% to 4.00%	2012-2019		905,000	6,985,000	7,890,000
	Term	3.25% to 5.00%	2020-2030		-	15,545,000	15,545,000
2010A	Serial	2.00%	2012-2014		130,000	310,000	440,000
2010B	Serial	3.25% to 4.85%	2015-2020		-	1,505,000	1,505,000
	Term	5.42% to 6.15%	2021-2038		-	27,380,000	27,380,000
2011	Serial	2.50% to 5.00%	2012-2022		885,000	24,595,000	25,480,000
Community Assistance Fund Totals					6,560,000	113,290,000	119,850,000
			Add: unamortized premiums		-	4,491,844	4,491,844
			Less: deferred losses		-	(4,142,322)	(4,142,322)
				$	6,560,000	113,639,522	120,199,522

The Community Assistance 2011 Bonds were issued to advance refund $25,485,000 of the Community Assistance Series 2003 Bonds. Although the refunding resulted in a deferred accounting loss of $2,378,747, the Authority in effect reduced its aggregate debt service payments by $5,956,509 and achieved an economic gain of $3,212,328.

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

		Principal	Interest *	Total
2012	$	6,560,000	5,619,355	12,179,355
2013		6,675,000	5,358,037	12,033,037
2014		6,725,000	5,083,937	11,808,937
2015		6,645,000	4,804,850	11,449,850
2016		7,015,000	4,515,193	11,530,193
2017-2021		34,595,000	17,961,430	52,556,430
2022-2026		17,965,000	11,548,909	29,513,909
2027-2031		13,940,000	8,155,562	22,095,562
2032-2036		16,185,000	3,701,839	19,886,839
2037-2038		3,545,000	207,870	3,752,870
	$	119,850,000	66,956,982	186,806,982

* In 2010, OWDA sold Federally Taxable-Build America Bonds (BABs) which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $54,280,405.

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

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

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

c) Community Assistance Refunding Series 2009 – 1) The term bonds are subject to mandatory redemption beginning June 1, 2020. 2) The term bonds maturing on or after December 1, 2020 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2019, or at any time thereafter in any order of maturity, at a redemption price equal to the par value for the principal amount redeemed plus accrued interest to the redemption date.

d) Community Assistance Series 2010A – The series 2010A bonds are not subject to redemption prior to their stated maturity.

e)Community Assistance BABs Series 2010B – 1) The term bonds are subject to mandatory redemption beginning June 1, 2021. 2) Both the serial and term bonds maturing on or after

December 1, 2020 are callable for redemption prior to maturity at the option of the Authority, either in whole or in part, on or after June 1, 2020, at par plus accrued interest. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. 4) Due to The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), the BABs are subject to extraordinary mandatory redemption at any time during the ninety-day period following July 13, 2013, in whole or in part, at a redemption price equal to 102% of the principal amount of each maturity selected, plus accrued and unpaid interest to the redemption date.

f) Community Assistance Series 2011 – The Series 2011 Community Assistance Bonds maturing on or after December 1, 2021 are subject to optional redemption, in whole or in part, on or after June 1, 2021, at par plus accrued interest.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Community Assistance project costs are insufficient to cover Community Assistance debt service requirements, unencumbered assets of the Community Assistance Fund Debt Service Reserve, Surplus and Construction accounts are also pledged as security for the bonds. For the calendar year 2011, the amount received from reimbursements of Community Assistance project costs was $12,712,731, compared to the required bond debt service payments of $11,160,589.

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, 2011, 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.

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

As of December 31, 2011, there was $535,605,000 of Fresh Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2001B	Serial	4.75% to 5.50%	2012-2021		6,085,000	46,090,000	52,175,000
2002	Serial	3.75% to 5.25%	2012		3,875,000	-	3,875,000
	Term	4.75% to 5.375%	2013-2027		-	2,090,000	2,090,000
2004	Serial	4.40% to 5.00%	2012-2014		5,430,000	9,615,000	15,045,000
	Term	5.00% to 5.25%	2015-2022		-	3,980,000	3,980,000
2005	Serial	5.00% to 5.50%	2012-2025		5,470,000	92,280,000	97,750,000
2006	Term	5.25%	2022-2034		-	51,100,000	51,100,000
2009A	Serial	3.00% to 5.00%	2012-2016		12,645,000	66,080,000	78,725,000
2009B	Serial	2.50% to 5.00%	2012-2022		865,000	49,855,000	50,720,000
	Term	3.125% to 5.25%	2020-2027		-	27,010,000	27,010,000
2010A-1	Serial	3.00% to 4.00%	2012		3,845,000	-	3,845,000
2010A-2	Term	3.593% to 4.917%	2020-2042		-	149,290,000	149,290,000
Fresh Water Fund Totals					38,215,000	497,390,000	535,605,000
			Add: unamortized premiums		88,478	29,233,253	29,321,731
			Less: deferred losses		-	(17,789,083)	(17,789,083)
				$	38,303,478	508,834,170	547,137,648

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

		Principal	Interest*	Total
2012	$	38,215,000	25,872,330	64,087,330
2013		37,865,000	24,088,708	61,953,708
2014		38,915,000	22,262,346	61,177,346
2015		39,710,000	20,533,281	60,243,281
2016		38,820,000	18,603,235	57,423,235
2017-2021		112,315,000	72,589,178	184,904,178
2022-2026		97,950,000	45,126,966	143,076,966
2027-2031		66,790,000	24,513,038	91,303,038
2032-2036		41,030,000	11,311,187	52,341,187
2037-2041		23,495,000	2,822,112	26,317,112
2042		500,000	12,293	512,293
	$	535,605,000	267,734,674	803,339,674

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $220,936,334.

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

a) Fresh Water Series 2001 A&B – The Series 2001B 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.
b) 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.
c) 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.
d) Fresh Water Refunding Series 2005 – The series 2005 bonds are not subject to redemption prior to maturity.
e) Fresh Water Refunding Series 2006 – 1) The series 2006 bonds are not subject to optional redemption prior to their stated maturity. 2) The term bonds are subject to mandatory redemption beginning December 1, 2022.
f) Fresh Water Series 2009A – The series 2009A bonds are not subject to redemption prior to maturity.
g) Fresh Water Refunding Series 2009B – The series 2009B bonds are not subject to optional redemption prior to their stated maturity. The term bonds are subject to mandatory redemption beginning December 1, 2020.

h) Fresh Water Series 2010A-1 – The series 2010A-1 bonds are not subject to redemption prior to maturity.

i) Fresh Water BABs Series 2010A-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2020. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Fresh Water project costs are insufficient to cover Fresh Water debt service payments, unencumbered assets of the Fresh Water Fund Debt Service Reserve, Surplus, Cross-Collateralization and Construction accounts are also pledged as security for the bonds. For the calendar year 2011, the amount received from reimbursements of Fresh Water project costs was $114,052,812, compared to the required bond debt service payments of $60,270,282.

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, 2011, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

(Continued)

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

As of December 31, 2011, there was $22,495,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—State Match Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2001	Serial	4.00% to 5.25%	2012-2016	$	3,810,000	5,090,000	8,900,000
2005	Serial	4.00% to 5.00%	2013-2015		-	7,390,000	7,390,000
	Term	5.25%	2016-2021		-	6,205,000	6,205,000
WPCLF State Match Series Totals					3,810,000	18,685,000	22,495,000
		Add: unamortized premiums			-	715,571	715,571
		Less: deferred losses			-	(2,337,767)	(2,337,767)
				$	3,810,000	17,062,804	20,872,804

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

a) 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.

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

LGA reimbursements of WPCLF project costs of interest only, not the principal, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF interest project costs are insufficient to cover WPCLF State Match debt service payments, unencumbered assets of the WPCLF State Match Interest, Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2011, the amount received from reimbursements of WPCLF pledged interest project costs was $23,744,928 compared to the required bond debt service payments of $6,233,296.

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, 2011, there is no accrued rebate liability for these bonds.

(Continued)

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

		Principal	Interest	Total
2012	$	3,810,000	1,023,321	4,833,321
2013		5,190,000	830,971	6,020,971
2014		4,385,000	623,201	5,008,201
2015		2,835,000	431,783	3,266,783
2016		1,755,000	305,157	2,060,157
2017-2021		4,520,000	512,138	5,032,138
	$	22,495,000	3,726,571	26,221,571

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, (1) 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 (a) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (b) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (2) 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.

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

As of December 31, 2011, there was $1,891,263,737 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	5.25%	2012-2014	$	4,560,000	13,885,000	18,445,000
2003	Serial	5.00% to 5.25%	2012-2015		17,945,000	46,575,000	64,520,000
2004	Serial	3.60% to 5.00%	2012-2025		28,535,000	57,910,000	86,445,000
2004 ref	Serial	5.00%	2012-2014		14,145,000	29,550,000	43,695,000
2005 ref	Serial	5.25% to 5.50%	2015-2023		-	215,445,000	215,445,000
2005B	Serial	4.25% to 5.00%	2012-2025		-	55,245,000	55,245,000
	CABS*	4.06% to 4.45%	2012-2017		22,280,000	92,438,737	114,718,737
2009	Serial	2.00% to 5.00%	2012-2019		19,360,000	164,710,000	184,070,000
2010A	Serial	3.00% to 5.00%	2012-2030		7,370,000	104,710,000	112,080,000
	Term	4.00% to 5.00%	2021-2029		-	220,595,000	220,595,000
2010B-1	Serial	2.00% to 5.00%	2014-2018		-	30,035,000	30,035,000
2010B-2	Serial	4.192%	2024		-	11,390,000	11,390,000
	Term	3.492% to 4.879%	2019-2034		-	417,735,000	417,735,000
2010C	Serial	2.50% to 5.00%	2018-2022		-	73,200,000	73,200,000
2011A	Serial	4.00% to 5.00%	2015-2019		-	101,210,000	101,210,000
2011B-1	Serial	3.00% to 5.00%	2015-2018		-	76,860,000	76,860,000
2011B-2	Serial	.15% to 1.33%	2012-2015		22,530,000	43,045,000	65,575,000
WPCLF Water Quality Series Totals					136,725,000	1,754,538,737	1,891,263,737
		Add: unamortized premiums			-	114,888,379	114,888,379
		Less: deferred losses			-	(62,893,180)	(62,893,180)
				$	136,725,000	1,806,533,936	1,943,258,936

CABS* - Capital Appreciation Bonds

The Water Quality Series 2011A Bonds were issued to advance refund $84,680,000 of the Water Quality Series 2004 Bonds and $22,675,000 of the Water Quality 2005B Bonds. Although the refunding resulted in a deferred accounting loss of $10,485,957, the Authority in effect reduced its aggregate debt service payments by $9,338,519 and achieved an economic gain of $5,443,792.

The Water Quality Series 2011B-1 Tax Exempt Bonds were issued to advance refund $78,510,000 of the Water Quality Series 2005B Bonds. Although the refunding resulted in a deferred accounting loss of $9,878,583, the Authority in effect reduced its aggregate debt service payments by $11,936,632 and achieved an economic gain of $8,711,868.

The Water Quality Series 2011B-2 Taxable Bonds were issued to advance refund $58,320,000 of the Water Quality Series 2004 Bonds. Although the refunding resulted in a deferred accounting loss of $4,717,923, the Authority in effect reduced its aggregate debt service payments by $13,653,609 and achieved an economic gain of $9,000,388.

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

a) 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.
b) Water Quality Series Refunding Series 2003 – These bonds are not subject to mandatory or optional redemption prior to maturity.
c) 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.
d) Water Quality Refunding Series 2004 – These bonds are not subject to mandatory or optional redemption prior to maturity.
e) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.
f) 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.
g) Water Quality Refunding Series 2009 – These bonds are not subject to redemption prior to stated maturity.
h) Water Quality Series 2010A – 1) The bonds maturing on or after June 1, 2020 are subject to prior redemption by and at the sole option of the Authority, in whole or in part, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. 2) The term bonds are subject to mandatory redemption beginning June 1, 2021. 3) Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following April 15, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on April 15, 2013.
i) Water Quality Series 2010B-1 – The series 2010B-1 bonds are not subject to optional redemption prior to their stated maturity. Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on August 24, 2013.
j) Water Quality Series 2010B-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2019. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. 4) Due to TIPRA, the BABs are subject to extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to 102% of the principal amount of each maturity selected, plus accrued and unpaid interest to the redemption date.
k) Water Quality Refunding Series 2010C - These bonds are not subject to redemption prior to their stated maturity.
l) Water Quality Refunding Series 2011A – These bonds are not subject to redemption prior to their stated maturity.
m) Water Quality Refunding Series 2011B-1 – These bonds are not subject to redemption prior to their stated maturity.

n) Water Quality Refunding Series 2011B-2 – These bonds are not subject to redemption prior to their stated maturity.

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

		Principal (a)	Interest *	Total (a)
2012	$	136,725,000	81,315,714	218,040,714
2013		135,595,000	77,190,225	212,785,225
2014		146,240,000	72,360,258	218,600,258
2015		146,135,000	67,361,927	213,496,927
2016		146,380,000	61,920,355	208,300,355
2017-2021		543,620,000	223,339,963	766,959,963
2022-2026		365,770,000	125,007,524	490,777,524
2027-2031		237,170,000	37,829,945	274,999,945
2032-2034		49,130,000	3,812,817	52,942,817
	$	1,906,765,000	750,138,728	2,656,903,728

(a) Includes capital appreciation bonds at matured value.

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $635,690,230.

LGA reimbursements of WPCLF project costs of principal only, not the interest, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF principal project costs are insufficient to cover WPCLF Water Quality debt service payments, unencumbered assets of the WPCLF Water Quality Debt Service Reserve, Surplus and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2011, the amount received from reimbursements of WPCLF principal project costs and depledged interest project costs were $224,463,713, compared to the required bond debt service payments of $187,583,603.

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, 2011, 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, (1) 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 (a) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (b) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (2) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

b) To the trustee for the payment of its fees on the last day of each May and November.

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

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

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

(8) DRINKING WATER ASSISTANCE FUND REVENUE AND REFUNDING BONDS—STATE MATCH SERIES

As of December 31, 2011, there was $36,140,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—State Match Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.125% to 5.00%	2012-2021	$	1,710,000	690,000	2,400,000
	Term	5.00%	2022-2023		-	15,000	15,000
2004	Serial	3.00% to 5.00%	2012-2013		2,230,000	2,130,000	4,360,000
	Term	4.25% to 5.00%	2014-2025		-	6,535,000	6,535,000
2010A	Serial	5.00%	2012		7,225,000	-	7,225,000
2010B	Serial	4.00% to 5.00%	2012-2014		1,300,000	14,305,000	15,605,000
DWAF State Match Series Totals					12,465,000	23,675,000	36,140,000
		Add: unamortized premiums (net)			214,803	1,107,520	1,322,323
		Less: deferred loss			-	(976,015)	(976,015)
				$	12,679,803	23,806,505	36,486,308

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

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

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

c) State Match Series 2010A - These bonds are not subject to redemption prior to their stated maturity.

(Continued)

d) State Match Refunding Series 2010B - These bonds are not subject to redemption prior to their stated maturity.

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

		Principal	Interest	Total
2012	$	12,465,000	1,515,507	13,980,507
2013		12,280,000	915,651	13,195,651
2014		5,465,000	376,133	5,841,133
2015		220,000	255,556	475,556
2016		205,000	245,038	450,038
2017-2021		3,800,000	919,100	4,719,100
2022-2025		1,705,000	118,050	1,823,050
	$	36,140,000	4,345,035	40,485,035

LGA reimbursements of DWAF project costs of interest only, not the principal, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF interest project costs are insufficient to cover DWAF State Match debt service payments, unencumbered assets of the DWAF State Match Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2011, the amount received from reimbursements of DWAF interest project costs was $15,644,513, compared to the required bond debt service payments of $14,323,957.

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, 2011, 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, (1) 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 (a) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (b) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (2) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.

b) To the trustee for the payment of its fees on the last day of each May and November.

c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of

DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.

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

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

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

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

As of December 31, 2011, there was $269,540,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—Leverage Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.125% to 5.375%	2012-2013	$	2,735,000	420,000	3,155,000
	Term	5.50%	2014		-	465,000	465,000
2004	Serial	3.00% to 5.00%	2012-2013		2,535,000	2,465,000	5,000,000
	Term	4.50% to 5.00%	2014-2025		-	2,350,000	2,350,000
2005 ref	Serial	5.00% to 5.25%	2015-2023		-	18,705,000	18,705,000
	Term	5.25%	2019-2022		-	17,860,000	17,860,000
2005B	Serial	4.00% to 5.00%	2012-2026		2,715,000	12,300,000	15,015,000
	Term	4.50% to 5.00%	2016-2025		-	13,295,000	13,295,000
2008	Serial	3.25% to 5.00%	2012-2018		2,760,000	18,760,000	21,520,000
	Term	5.00%	2019-2024		-	24,560,000	24,560,000
2010A	Serial	5.00%	2012-2013		2,470,000	2,900,000	5,370,000
2010B	Term	5.276% to 5.742%	2022-2030		-	44,530,000	44,530,000
2010C	Serial	3.00% to 5.00%	2012-2021		1,035,000	96,680,000	97,715,000
DWAF Leverage Series Totals					14,250,000	255,290,000	269,540,000
			Add: unamortized premiums		-	18,568,363	18,568,363
			Less: deferred losses		-	(12,665,366)	(12,665,366)
				$	14,250,000	261,192,997	275,442,997

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

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

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

c) Leverage Refunding Series 2005 – The term bonds are subject to mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.
d) Leverage Series 2005B – The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.
e) Leverage Refunding Series 2008 – The term bonds are subject to mandatory redemption beginning June 1, 2019. The bonds maturing after June 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2018, at par plus accrued interest.
f) Leverage Series 2010A – These bonds are not subject to redemption prior to their stated maturity.
g) Leverage Series 2010B – 1) The BABs are subject to mandatory redemption beginning June 1, 2022. 2) The BABs are subject to optional redemption by and at the sole option of the Authority, in whole multiples of $5,000, either in whole or part on any date on or after June 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payments from the United States Treasury is reduced or eliminated.
h) Leverage Refunding Series 2010C – The refunding bonds maturing on or after June 1, 2021 are subject to prior redemption by and at the sole option of the Authority in whole multiples of $5,000, either in whole or in part on any date on or after December 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

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

		Principal	Interest*	Total
2012	$	14,250,000	12,737,250	26,987,250
2013		15,530,000	12,135,962	27,665,962
2014		16,875,000	11,494,403	28,369,403
2015		18,370,000	10,693,803	29,063,803
2016		19,070,000	9,869,571	28,939,571
2017-2021		117,990,000	33,800,582	151,790,582
2022-2026		46,740,000	11,757,903	58,497,903
2027-2030		20,715,000	2,588,350	23,303,350
	$	269,540,000	105,077,824	374,617,824

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $92,166,586.

LGA reimbursements of DWAF project costs of principal only, not the interest, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF principal project costs are insufficient to cover DWAF Leverage debt service payments, unencumbered assets of the DWAF Leverage Debt Service Reserve and Other Projects accounts are also pledged as

(Continued)

security for the bonds. For the calendar year 2011, the amount received from reimbursements of DWAF principal project costs was $31,044,494, compared to the required bond debt service payments of $24,151,310.

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, 2011, there is no accrued rebate liability for these bonds.

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

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

b) To the trustee for the payment of its fees on the last day of each May and November.

c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

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

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

(10) OUTSTANDING DEFEASED BONDS

For accounting purposes, the assets and liabilities for defeased bonds are not reflected in the Authority's financial statements. Below is a listing of Authority bonds remaining outstanding as of December 31, 2011 which has been defeased:

Series	Year Defeased		Balance Outstanding
Pure Water 1989 & 1990	1992		19,230,000
Community Assistance 2003	2011		25,485,000
Fresh Water 2002	2005		38,460,000
Fresh Water 2004	2006		55,055,000
Fresh Water 2002 & 2004	2009		76,425,000
WPCLF Water Quality 2002	2005		162,450,000
WPCLF Water Quality 2004 & 2005B	2009		212,855,000
WPCLF Water Quality 2004	2010		76,220,000
WPCLF Water Quality 2004 & 2005B	2011		244,185,000
DWAF State Match 2002 & 2004	2010		15,410,000
DWAF Leverage 2002	2005		37,500,000
DWAF Leverage 2002, 2004, 2005B & 2008	2010		96,040,000
		$	1,059,315,000

(11) 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, 2011, outstanding bonds and notes under this program total $2,196,125,000.

(12) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system that administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2011, 2010 and 2009 were approximately $1,139,000, $1,139,000 and $1,110,000, respectively. In 2011, the employee and employer contribution rates were 10% and 14%, respectively, for all Authority employees. Total required employer contributions were approximately $159,000, $159,000 and $155,000 for the years ending December 31, 2011, 2010 and 2009, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Postretirement Healthcare

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

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

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

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare was 4.00% for 2011. The Authority's 2011 employer contributions made to fund post-employment benefits were $45,597, covering 21 participants. The Authority's 2010 and 2009 contributions to fund post employment benefits were $57,823 (21 participants) and $64,816 (20 participants), respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

(13) COMMITMENTS

As of December 31, 2011, the Authority has loan commitments to finance LGA construction projects in the following amounts:

Fund	Amount
Other Projects	$ 8,534,142
Rural Utility Services	950,140
Community Assistance	22,369,707
Fresh Water	97,832,239
Water Pollution Control Loan	784,368,895
Drinking Water Assistance	45,254,458
	$ 959,309,581

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.

(14) TRANSFERS

Interfund transfers for the year ended December 31, 2011 consisted of the following:

Transfer to Operating from:		
Drinking Water Assistance	$	8,143
Transfer from Working Capital to:		
Fresh Water	$	(260,063)
Transfer to Other Projects from:		
Fresh Water	$	4,161,607
Transfers to (from) Fresh Water from (to):		
Working Capital		260,063
Other Projects		(4,161,607)
	$	(3,901,544)
Transfer from Drinking Water Assistance to:		
Operating	$	(8,143)
Total Transfers, net	$	–

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2011, the Authority made a non-routine transfer totaling $5,000,000 to the Other Projects Fund - Unallocated Reserve Account from the Fresh Water Fund for additional funding.

(15) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2011, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2010 Balance	Additions	Reductions	12/31/2011 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	$ 206,698	141,844	128,139	220,403	-	220,403
Revenue Bonds and Notes Payable	3,137,317,310	278,422,495	472,341,590	2,943,398,215	212,328,281	2,731,069,934
Total Long-Term Liabilities	$3,137,524,008	278,564,339	472,469,729	2,943,618,618	212,328,281	2,731,290,337

(16) SUBSEQUENT EVENT

Since December 31, 2011, the Authority has issued additional debt. The Authority issued $62,555,000 in Water Pollution Control Loan Fund Refunding Revenue Bonds – Water Quality Series 2012A on March 7, 2012. As these bonds were not issued until 2012, they are not included in the long-term debt of the Authority as of December 31, 2011.

<u>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*</u>

Members of the Board of Directors
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, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 27, 2012. 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 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, 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 27, 2012

Dave Yost · 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 22, 2012

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