



Dave Yost • Auditor of State

OHIO WATER DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

Independent Auditors’ Report 1

Management’s Discussion and Analysis 3

Combining Financial Statements:

 Statement of Net Position 8

 Statement of Revenues, Expenses and Changes in Net Position 10

 Statement of Cash Flows 12

 Notes to Financial Statements..... 15

Independent Auditors’ 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*.....49

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INDEPENDENT AUDITOR'S REPORT

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

To the Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Ohio Water Development Authority (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Ohio Water Development Authority as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 31, 2015

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2014

As management of the Ohio Water Development Authority (the Authority), a related organization 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, 2014. 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 position increased by \$118,349,265 or 3.14%.
- The Authority's loans receivable increased by \$238,061,670 or 4.73%.
- The Authority's loan income increased by \$12,394,613 or 8.65%.
- The Authority's cash, cash equivalents and investments decreased by \$107,423,519 or 6.95%.
- The Authority's investment income decreased by \$541,319 or 7.09%.

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 statement of net position* presents information on all of the Authority's assets, deferred outflows of resources and liabilities, including information about the nature and amounts of investments in resources (assets and deferred outflows of resources), the obligations (liabilities) of the Authority and the Authority's net position as of December 31, 2014. Over time, increases or decreases in net position 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 net position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

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 14-46 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 2014 and 2013, respectively, as restated in 2013 for prior period adjustments (see Notes to Financial Statements # 4).

The following table summarizes changes in net position of the Authority between December 31, 2014 and December 31, 2013, as restated:

Condensed Statement of Net Position, as restated

(all amounts expressed in thousands of dollars)

	2014	2013	Dollar Change	Total Percent Change
Current assets	\$39,763	\$103,447	(\$63,684)	(61.56%)
Noncurrent restricted assets	6,513,483	6,394,971	118,512	1.85%
Noncurrent unrestricted assets	170,955	113,861	57,094	50.14%
Capital assets	1,335	1,360	(25)	(1.84%)
Total assets	6,725,536	6,613,639	111,897	1.69%
Loss on refunding	78,222	78,472	(250)	(0.32%)
Advance of loan interest	67,059	59,560	7,499	12.59%
Total deferred outflows of resources	145,281	138,032	7,249	5.25%
Total assets and deferred outflows of resources	\$6,870,817	\$6,751,671	\$119,146	1.76%
Current liabilities	\$333,168	\$ 325,549	\$7,619	2.34%
Noncurrent revenue bonds and notes payable	2,652,432	2,659,230	(6,798)	(0.26%)
Other noncurrent liabilities	200	224	(24)	(10.71%)
Total liabilities	2,985,800	2,985,003	797	0.03%
Net position:				
Net investment in capital assets	1,335	1,360	(25)	(1.84%)
Restricted	3,683,410	3,575,269	108,141	3.02%
Unrestricted	200,272	190,039	10,233	5.38%
Total net position	3,885,017	3,766,668	118,349	3.14%
Total liabilities and net position	\$6,870,817	\$6,751,671	\$119,146	1.76%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$3,885,016,964 as of December 31, 2014, \$3,683,410,081 of which is restricted for debt and grant covenants.

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

The following table summarizes the changes in revenues and expenses for the Authority between 2014 and 2013, as restated:

Condensed Statement of Revenues, Expenses and Changes in Net Position, as restated

(all amounts expressed in thousands of dollars)

	2014	2013 [^]	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$155,744	\$143,350	\$12,394	8.65%
Investment income	7,098	7,639	(541)	(7.08%)
Administrative fees from projects	2,410	2,931	(521)	(17.78%)
Total operating revenues	165,252	153,920	11,332	7.36%
Operating expenses:				
Payroll and benefits	2,005	2,012	(7)	(0.35%)
Interest on bonds and notes	111,899	110,898	1,001	0.90%
Bond and note issuance expense	4,037	1,469	2,568	174.81%
Loan principal forgiveness and grant expense	32,400	38,002	(5,602)	(14.74%)
State revolving fund admin	7,744	4,508	3,236	71.78%
Professional services	2,902	1,747	1,155	66.11%
Other	582	785	(203)	(25.86%)
Total operating expenses	161,569	159,421	2,148	1.35%
Operating income (loss)	3,683	(5,501)	9,184	166.95%
Nonoperating other revenues (expenses)	14	(146)	160	109.59%
Contribution from U.S. EPA	104,374	207,374	(103,000)	(49.67%)
Federal subsidy income	10,278	10,135	143	1.41%
Change in net position	\$118,349	\$211,862	\$(93,513)	(44.14%)

[^] - The changes in revenues and expenses between 2014 and 2013, as restated, are being presented on a consistent basis. As a result, other expenses from 2013 are being broken-out as payroll and benefits, grant expense, state revolving fund administration and professional services. Also, federal subsidy income is being shown separately as nonoperating revenue.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

During fiscal year 2014, the Authority's net position increased by \$118,349,265 or 3.14%. The majority of this increase was due to the following:

- A \$238,061,670 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A \$10,752,189 increase in bonds and notes payable caused by the issuance of new debt.
- A \$107,423,519 decrease in cash, cash equivalents and investments caused by the lending of bond proceeds and repayment of bonds payable.

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest on bonds and notes. For the year ending December 31, 2014, the Authority had operating income of \$3,682,387 compared to an operating loss of \$5,501,280 in 2013, an increase of \$9,183,667 or 166.94%. This increase in operating income was primarily attributed to a \$12,394,613 increase in loan income, \$5,601,931 decrease in loan principal forgiveness and grant expense, a \$2,568,247 increase in bond and note issuance expense and a \$1,000,970 increase in interest on bond and notes.

Debt Administration

As of December 31, 2014, the Authority had revenue bonds and notes principal outstanding of \$2,892,482,271. The Authority's debt represents bonds and notes secured solely by loan repayments of pledged loans. The table below summarizes the amount of debt outstanding for 2014 and 2013.

Outstanding Debt at December 31, 2014 and December 31, 2013 (net of premiums)

(all amounts expressed in thousands of dollars)

	2014	2013
Revenue Bonds	\$ 2,831,482	2,681,730
Revenue Notes	61,000	200,000
Total	<u>\$ 2,892,482</u>	<u>2,881,730</u>

During 2014, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Development Revenue Notes—Fresh Water Series 2014
- Water Pollution Control Loan Fund Revenue Bonds—WPCLF Bonds Series 2014
- Drinking Water Assistance Fund (DWAF) Revenue Notes—State Match Series 2014

During 2014, the Authority issued the following bonds for the purpose of refinancing some of its existing debt to take advantage of favorable interest rates:

- Water Pollution Control Loan Fund Refunding Revenue Bonds—WPCLF Bonds Series 2014B were issued to partially advance refund previously outstanding Water Pollution Control Loan Fund Water Quality Series 2010A Bonds. This transaction enabled the Authority to achieve a total economic gain of \$9,674,923.
- Drinking Water Assistance Fund Refunding Bonds—Leverage Series 2014 were issued to partially advance refund previously outstanding Drinking Water Assistance Fund Leverage

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Series 2005B and Series 2008 bonds. This transaction enabled the Authority to achieve a total economic gain of \$4,310,761.

The Authority continues to maintain strong ratings from Moody's and Standard & Poor's. Although the Fresh Water and Drinking Water Assistance Fund State Match Notes were private placement notes and therefore were not rated, we included the Fresh Water and Drinking Water Assistance Fund State Match long-term program ratings in the table below. The table below summarizes the ratings from Moody's & Standard & Poor's for the 2014 bond and note issuances or the Programs themselves (private placement Fresh Water and DWAF State Match notes) of the Authority.

Bond or Note Series	Moody's	Standard & Poor's
Fresh Water	Aaa	AAA
WPCLF Bonds	Aaa	AAA
DWAF – State Match	Aaa	AAA
DWAF – Leverage Bonds	Aaa	AAA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-42 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 Financial Officer, Ohio Water Development Authority, 480 S. High Street, Columbus, Ohio 43215, or call (614)466-5822 or toll-free (877)OWDA-123, or visit the Authority's website at www.owda.org.

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Net Position

December 31, 2014

Assets	Trusteed Funds			
	Operating Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 5)
Current assets:				
Cash and cash equivalents -- Note 2	\$ 931,914	5,962,257	675,097	-
Investments -- Note 2	1,733	23,151,803	6,606,080	-
Receivables:				
Loan and fee receivables	142,891	2,290,469	-	-
Other	733	-	-	-
Total current assets	1,077,271	31,404,529	7,281,177	-
Noncurrent assets:				
Restricted grant, bond and note covenant assets:				
Cash and cash equivalents -- Note 2	-	-	-	6,014,654
Investments -- Note 2	-	-	-	17,780,029
Loan receivables	-	-	-	193,507,352
Total noncurrent restricted assets	-	-	-	217,302,035
Investments -- Note 2	1,348,404	102,214,562	6,539,840	-
Loan receivables	-	49,270,295	-	-
Other receivables	-	-	-	46,658
Due from other funds -- Note 3	-	-	-	-
Capital assets, at depreciated cost	1,334,927	-	-	-
Total noncurrent unrestricted assets	2,683,331	151,484,857	6,539,840	46,658
Total assets	3,760,602	182,889,386	13,821,017	217,348,693
Deferred Outflows of Resources				
Loss on refunding	-	-	-	3,176,705
Advance of loan interest	-	-	-	-
Total deferred outflows of resources	-	-	-	3,176,705
Total assets and deferred outflows of resources	\$ 3,760,602	182,889,386	13,821,017	220,525,398
Liabilities				
Current liabilities:				
Accounts payable	\$ 119,674	1,579,016	1,584	-
Compensated absences	49,467	-	-	-
Total current liabilities	169,141	1,579,016	1,584	-
Current liabilities payable from restricted assets:				
Due to other funds -- Note 3	137,687	-	-	-
Accounts payable	-	-	-	405,126
Accrued interest	-	-	-	325,314
Revenue bonds payable, net of premiums	-	-	-	8,875,000
Total current liabilities payable from restricted assets	137,687	-	-	9,605,440
Noncurrent liabilities:				
Compensated absences	200,568	-	-	-
Revenue bonds and notes payable, net of premiums	-	-	-	77,599,742
Total noncurrent liabilities	200,568	-	-	77,599,742
Total liabilities	507,396	1,579,016	1,584	87,205,182
Net Position				
Net investment in capital assets	1,334,927	-	-	-
Restricted for debt and grant covenants	-	-	-	133,320,216
Unrestricted	1,918,279	181,310,370	13,819,433	-
Total net position	3,253,206	181,310,370	13,819,433	133,320,216
Total liabilities and net position	\$ 3,760,602	182,889,386	13,821,017	220,525,398

See accompanying notes to financial statements.

Fresh Water Fund (Note 6)	Trusteed Funds		Total Combining 2014
	Water Pollution Control Loan Fund (Notes 7 & 8)	Drinking Water Assistance Fund (Notes 9 & 10)	
-	-	-	7,569,268
-	-	-	29,759,616
-	-	-	2,433,360
-	-	-	733
-	-	-	39,762,977
20,819,662	67,783,240	36,788,614	131,406,170
147,411,643	899,951,072	93,324,134	1,158,466,878
1,075,802,607	3,354,066,319	600,233,729	5,223,610,007
1,244,033,912	4,321,800,631	730,346,477	6,513,483,055
-	-	-	110,102,806
-	-	-	49,270,295
188,697	557,543	10,642,117	11,435,015
147,227	-	-	147,227
-	-	-	1,334,927
335,924	557,543	10,642,117	172,290,270
1,244,369,836	4,322,358,174	740,988,594	6,725,536,302
14,177,446	49,308,981	11,558,656	78,221,788
-	67,059,120	-	67,059,120
14,177,446	116,368,101	11,558,656	145,280,908
1,258,547,282	4,438,726,275	752,547,250	6,870,817,210
-	-	-	1,700,274
-	-	-	49,467
-	-	-	1,749,741
-	-	9,540	147,227
15,062,538	57,169,524	8,818,141	81,455,329
2,209,844	6,364,843	865,109	9,765,110
38,950,000	162,920,630	29,305,000	240,050,630
56,222,382	226,454,997	38,997,790	331,418,296
-	-	-	200,568
568,943,331	1,789,507,496	216,381,072	2,652,431,641
568,943,331	1,789,507,496	216,381,072	2,652,632,209
625,165,713	2,015,962,493	255,378,862	2,985,800,246
-	-	-	1,334,927
630,157,695	2,422,763,782	497,168,388	3,683,410,081
3,223,874	-	-	200,271,956
633,381,569	2,422,763,782	497,168,388	3,885,016,964
1,258,547,282	4,438,726,275	752,547,250	6,870,817,210

OHIO WATER DEVELOPMENT AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2014

	Trusteed Funds			
	Operating Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 5)
Operating revenues:				
Loan income	\$ -	1,332,913	12,470	3,187,217
Investment income	3,465	509,990	66,441	99,118
Administrative fees from projects	1,963,388	-	-	-
Total operating revenues	<u>1,966,853</u>	<u>1,842,903</u>	<u>78,911</u>	<u>3,286,335</u>
Operating expenses:				
Payroll and benefits	2,005,287	-	-	-
Interest on bonds and notes	-	-	-	4,237,784
Bond and note issuance expense	-	-	-	-
Loan principal forgiveness and grant expense	-	7,839,850	-	-
State revolving fund administration	-	-	-	-
Professional services	537,986	659,147	7,552	42,964
Other	390,338	-	-	-
Total operating expenses	<u>2,933,611</u>	<u>8,498,997</u>	<u>7,552</u>	<u>4,280,748</u>
Operating income (loss)	<u>(966,758)</u>	<u>(6,656,094)</u>	<u>71,359</u>	<u>(994,413)</u>
Nonoperating other revenues	-	-	-	-
Income (loss) before contributions and transfers	<u>(966,758)</u>	<u>(6,656,094)</u>	<u>71,359</u>	<u>(994,413)</u>
Contribution from U.S. EPA	-	-	-	-
Federal subsidy income	-	-	-	560,147
Transfers in (out), net -- Note 15	-	23,066,274	(4,050,000)	(455,056)
Change in net position	<u>(966,758)</u>	<u>16,410,180</u>	<u>(3,978,641)</u>	<u>(889,322)</u>
Net position at beginning of year, as restated - Note 4	4,219,964	164,900,190	17,798,074	134,209,538
Net position at end of year	<u>\$ 3,253,206</u>	<u>181,310,370</u>	<u>13,819,433</u>	<u>133,320,216</u>

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 6)	Water Pollution Control Loan Fund (Notes 7 & 8)	Drinking Water Assistance Fund (Notes 9 & 10)	Total Combining 2014
43,568,201	92,072,157	15,571,342	155,744,300
1,118,779	4,917,870	382,090	7,097,753
-	-	446,200	2,409,588
<u>44,686,980</u>	<u>96,990,027</u>	<u>16,399,632</u>	<u>165,251,641</u>
-	-	-	2,005,287
22,546,622	74,872,329	10,242,153	111,898,888
761,578	2,946,939	328,814	4,037,331
86,000	20,844,769	3,629,192	32,399,811
-	4,204,200	3,540,008	7,744,208
224,249	1,253,416	176,124	2,901,438
191,953	-	-	582,291
<u>23,810,402</u>	<u>104,121,653</u>	<u>17,916,291</u>	<u>161,569,254</u>
<u>20,876,578</u>	<u>(7,131,626)</u>	<u>(1,516,659)</u>	<u>3,682,387</u>
14,460	-	-	14,460
<u>20,891,038</u>	<u>(7,131,626)</u>	<u>(1,516,659)</u>	<u>3,696,847</u>
-	78,184,585	26,190,096	104,374,681
2,265,381	6,650,562	801,647	10,277,737
<u>(18,561,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,595,201	77,703,521	25,475,084	118,349,265
<u>628,786,368</u>	<u>2,345,060,261</u>	<u>471,693,304</u>	<u>3,766,667,699</u>
<u>633,381,569</u>	<u>2,422,763,782</u>	<u>497,168,388</u>	<u>3,885,016,964</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2014

	Trusteed Funds			
	Operating Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 5)
Operating activities:				
Administrative fees from projects	\$ 2,407,539	-	-	-
Payroll and benefits	(2,015,817)	-	-	-
Grant Expense	-	(1,963,758)	-	-
State revolving fund administration	-	-	-	-
Professional services	(524,471)	(635,610)	(5,969)	(41,339)
Other	(363,578)	-	-	-
Net cash (used) by operating activities	<u>(496,327)</u>	<u>(2,599,368)</u>	<u>(5,969)</u>	<u>(41,339)</u>
Investing activities:				
Proceeds from maturity or sale of investments	2,130,000	228,192,396	7,972,948	26,455,121
Purchase of investments	(1,353,634)	(288,333,445)	(9,239,200)	(18,791,604)
Interest received on investments, net of purchased interest	14,434	785,924	216,756	225,239
Interest received on projects	-	1,440,131	-	3,265,891
Principal collected on projects	-	5,550,540	1,722,941	10,799,763
Payment for construction of projects	-	(9,412,071)	(576,834)	(8,588,894)
Net cash provided (used) by investing activities	<u>790,800</u>	<u>(61,776,525)</u>	<u>96,611</u>	<u>13,365,516</u>
Noncapital financing activities:				
Interest paid on bonds and notes, net of purchased interest	-	-	-	(4,103,970)
Proceeds of bonds and notes	-	-	-	-
Bond and note issuance expense	-	-	-	-
Redemption of bonds and notes	-	-	-	(8,635,000)
Contribution from U.S. EPA	-	-	-	-
Other	266,445	20,343	-	539,854
Transfers (to) from other funds	-	23,066,274	(4,050,000)	(455,056)
Net cash provided (used) by noncapital financing activities	<u>266,445</u>	<u>23,086,617</u>	<u>(4,050,000)</u>	<u>(12,654,172)</u>
Net increase (decrease) in cash and cash equivalents	560,918	(41,289,276)	(3,959,358)	670,005
Cash and cash equivalents at beginning of year	370,996	47,251,533	4,634,449	5,344,616
Cash and cash equivalents at end of year -- Note 2	<u>\$ 931,914</u>	<u>5,962,257</u>	<u>675,091</u>	<u>6,014,621</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	\$ (966,758)	(756,465)	72,942	(992,788)
Adjustments:				
Investment income	(3,465)	(509,990)	(66,441)	(99,118)
Operating expenses	(143,399)	-	-	-
Interest on bonds and notes	-	-	-	4,237,784
Loan and loan fee income	444,151	(1,332,913)	(12,470)	(3,187,217)
Bond and note issuance expense	-	-	-	-
Net change in other assets and other liabilities	173,144	-	-	-
Net cash (used) by operating activities	<u>\$ (496,327)</u>	<u>(2,599,368)</u>	<u>(5,969)</u>	<u>(41,339)</u>

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 6)	Water Pollution Control Loan Fund (Notes 7 & 8)	Drinking Water Assistance Fund (Notes 9 & 10)	Total Combining 2014
-	-	474,222	2,881,761
-	-	-	(2,015,817)
(86,000)	-	(540,197)	(2,589,955)
-	(4,204,200)	(3,540,008)	(7,744,208)
(235,202)	(1,053,046)	(155,942)	(2,651,579)
-	-	-	(363,578)
<u>(321,202)</u>	<u>(5,257,246)</u>	<u>(3,761,925)</u>	<u>(12,483,376)</u>
311,839,281 (229,393,379)	973,388,346 (971,895,741)	170,467,830 (140,697,242)	1,720,445,922 (1,659,704,245)
1,796,429	8,886,836	921,119	12,846,737
41,128,162	76,120,911	15,055,575	137,010,670
68,766,573	214,788,091	36,657,764	338,285,672
(154,359,949)	(381,893,761)	(62,667,770)	(617,499,279)
<u>39,777,117</u>	<u>(80,605,318)</u>	<u>19,737,276</u>	<u>(68,614,523)</u>
(27,528,103)	(80,299,334)	(11,680,652)	(123,612,059)
50,000,000	565,320,883	55,447,765	670,768,648
(479,026)	(2,936,079)	(264,857)	(3,679,962)
(44,140,000)	(521,909,992)	(72,348,129)	(647,033,121)
-	107,561,852	26,190,097	133,751,949
2,265,610	5,538,498	773,506	9,404,256
(18,561,218)	-	-	-
<u>(38,442,737)</u>	<u>73,275,828</u>	<u>(1,882,270)</u>	<u>39,599,711</u>
1,013,178	(12,586,736)	14,093,081	(41,498,188)
19,806,242	80,369,182	22,695,338	180,472,356
<u>20,819,420</u>	<u>67,782,446</u>	<u>36,788,419</u>	<u>138,974,168</u>
20,865,625	(6,931,257)	(1,496,668)	9,794,631
(1,118,779)	(4,917,869)	(382,090)	(7,097,752)
191,953	20,844,769	3,088,995	23,982,318
22,546,622	74,872,329	10,242,153	111,898,888
(43,568,201)	(92,072,157)	(15,571,342)	(155,300,149)
761,578	2,946,939	328,814	4,037,331
-	-	28,213	201,357
<u>(321,202)</u>	<u>(5,257,246)</u>	<u>(3,761,925)</u>	<u>(12,483,376)</u>

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OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2014

(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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- An organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Officials of the State's primary government appoint a voting majority of the Authority's governing board. However, the primary government's accountability for the Authority does not extend beyond making those appointments. As such, the Authority is deemed a related organization of the State of Ohio. The Authority does not have any component units or related organizations of its own.

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.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

These loans provide for the financing of project construction costs. 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 its programs has come from the issuance by the Authority of bonds and notes as well as federal capitalization grants.

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 12. 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, deferred outflows of resources, liabilities, net position, 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) Other Projects Fund

The Other Projects Fund was established to account for its programs and commitments that are funded with funds other than proceeds of bonds or notes or other funds required by law or contract to be held in a fund separate and segregated from other funds of the Authority. The Other Projects Fund consists of the following programs and commitments:

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- ***Other Projects Fund – Endowment Grant***

The purpose of this program is to provide grants to local governments in Ohio to develop innovative projects in the areas of drinking water, wastewater and solid waste management.

- ***Other Projects Fund – Solid Waste***

The purpose of this program 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 periods of 10 to 20 years with interest at 5.33% to 5.65%.

- ***Other Projects Fund – Local Economic Development***

The purpose of this program 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 Development Services Agency. The loans are to be repaid under terms of installment contracts over periods of 10 to 30 years with interest at 1.0% to 3.0%.

- ***Other Projects Fund – Brownfield***

The purpose of this program is to provide 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 15 years with interest at 2.0%.

- ***Other Projects Fund – Village Capital Improvements***

The purpose of this program 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.

- ***Other Projects Fund – Emergency Relief***

The purpose of this program is to provide financial assistance to Ohio communities or households that have sustained damage to their water or wastewater facilities as the result of a natural disaster or a mine subsidence event. To be eligible, communities or households must have an outstanding loan from the Authority and be in a federal or state designated disaster area, or be in an area of mine subsidence as declared by the state. The program 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, or up to \$25,000 per household for mine subsidence relocation costs.

As of December 31, 2014, the Authority has approved \$5,015,694 in grant assistance to forty one communities for damage caused by flooding in Ohio and \$125,000 in grant assistance to five households for mine subsidence relocation costs.

- ***Other Projects Fund – Dam Safety***

The purpose of this program 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

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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, 2014 was \$1,392,952.

- ***Other Projects Fund – Lake Erie Soil Erosion***

The purpose of this program 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, 2014, two loans are outstanding from this account totaling \$661,000 over 15 years with interest at 4.67% to 5.34%.

- ***Other Projects Fund – Security Assistance***

The purpose of this program 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, 2014, two loans have been awarded from this account totaling \$251,281 over 20 and 30 years.

- ***Other Projects Fund – Interest Rate Subsidy***

The purpose of this program is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's Fresh Water, Refunding and Safe Water Refunding (which were consolidated into the Fresh Water Fund in 2007), and Pure Water Refunding (which was also consolidated into the Fresh Water Fund in 2010) 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.

- ***Other Projects Fund – Unsewered Area Planning Loan Program***

The purpose of this program 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.

- ***Other Projects Fund – Unsewered Area Assistance Program***

The purpose of this program is to provide principal forgiveness construction loans to unsewered areas for the purpose of construction of a system of sewer facilities.

- ***Other Projects Fund – Alternative Stormwater Infrastructure Loan Program***

The purpose of this program is to provide loans to reduce stormwater run-off and mitigate flooding. The loans to the LGAs are to be repaid under terms of installment contracts. As

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

of December 31, 2014, three loans have been awarded from this account totaling \$20,378,727 over periods of 12 to 20 years with interest at 2.00% to 2.59%.

- ***Other Projects Fund – Unallocated Reserve***

This reserve was established for potential collectability or cash flow problems that may arise in the future on any Authority project. The target balance of the reserve is 1% of the outstanding loan balance of the Other Projects, Community Assistance and Fresh Water loan programs.

(c) ***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.

(d) ***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 Series 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 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 Series 2003 Bonds. The Water Development Revenue Refunding Bonds—Community Assistance Series 2013 Bonds were issued to refund the outstanding Series 2005 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(e) *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, Series 2013 and Water Development Revenue Notes—Fresh Water Commercial Paper Series 2007A, Series 2008D, Series 2008E, Series 2010A, Series 2010B and Series 2014 Notes 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 Series 2010A-1 and Series 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 0.00% to 7.38%.

On December 1, 2007, the Refunding Fund and the Safe Water Refunding Fund were closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from these 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 these loans is repaid by LGAs under terms of installment contracts over 40 years with interest rates of 5.25% to 5.50%.

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 8.07%.

(f) *Water Pollution Control Loan Fund*

The Water Pollution Control Loan Fund (WPCLF) 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.

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OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The WPCLF was initially funded in 1989 by a U.S. Environmental Protection Agency capitalization grant, which required a 20% matching contribution from the Ohio Environmental Protection Agency (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
2012	79,564,000	15,912,800
2013	75,160,000	15,032,000
2014	78,932,000	15,786,400
Total	\$ 2,199,119,197	395,702,786

* 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, Series 2010 and Series 2013; Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004, Series 2005B, Series 2010A, Series 2010B-1 and Series 2010B-2; Floating Rate Notes Series 2012A and Series 2013A and WPCLF Bonds Series 2014. 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, Series 2011B-2, Series 2012A and WPCLF Bonds Series 2014B were issued to refund portions of the State Match and Water Quality Series Bonds. The WPCLF Water Quality, State Match and 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, Water Quality and WPCLF Bond 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 of principal and interest on loans made

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

prior to May 1, 2014 are primarily pledged on a parity basis to all WPCLF Water Quality Bonds outstanding and subordinately pledged on a parity basis to all WPCLF Bonds outstanding. All loan repayments of interest for loans made after May 1, 2014 are primarily pledged on a parity basis to all WPCLF Bonds outstanding and subordinately pledged on a parity basis to all WPCLF Water Quality Bonds outstanding. As of December 31, 2014, all WPCLF State Match Bonds are retired. Any future WPCLF State Match issuances will be governed by the WPCLF Bonds Trust Indenture.

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, 2014 was \$3,472,060.

(g) *Drinking Water Assistance Fund*

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

Year Awarded	Capitalization Grant	State Match
1998	\$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
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
2012	30,339,000	6,067,800
2013	27,058,000	5,411,600
2014	24,586,000	4,917,200
Total	\$ 551,102,400	98,528,480

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- * 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 Series 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 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 Series 2004 Bonds; Leverage Series 2010C were issued to refund a portion of the Leverage Series 2002, Series 2004, Series 2005B and Series 2008 Bonds; and Leverage Series 2014 were issued to refund a portion of the Series 2005B and Series 2008 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.

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).

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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(c) Investments

With the exception of nonnegotiable certificates of deposit, investments are carried at fair value, which includes accrued interest receivable. Accordingly, the Authority reports participating 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, 2014 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 and Discount of Bonds and Notes

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

(g) Interfund Transfers/Net Position

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 position 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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2014 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)	1,514,953	60,679	(72,898)	1,502,734
Total capital assets	\$ 3,569,467	60,679	(72,898)	3,557,248
Less: Accumulated Depreciation-Building	(418,392)	(37,494)	-	(455,886)
Less: Accumulated Depreciation-Cap Impr	(310,404)	(31,852)	-	(342,256)
Less: Accumulated Depreciation-Other	(1,480,844)	(16,233)	72,898	(1,424,179)
Capital Assets, at Depreciated Cost	\$ 1,359,827	(24,900)	-	1,334,927

(i) Statement of Net Position Classifications

The Authority is required to classify its statement of net position, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities and restricted and unrestricted net position, as follows:

- Current: Due within one year from December 31, 2014
- Noncurrent: Due after December 31, 2015
- 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 positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position 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 payroll and benefits, interest on bonds and notes, bond and note issuance expense, loan principal forgiveness and grant expense, state revolving fund administration, professional services and other operating expenses
- Nonoperating other revenues
- Contribution from U.S. EPA
- Federal Subsidy Income

(k) Risk Management

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

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$2,250,000. The Authority carries commercial liability insurance coverage in

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

the amount of approximately \$56,385,000. The Authority also carries premium-based medical, dental and vision coverage for all employees.

During 2014, 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, 2014, the Authority's carrying amount of deposits was \$16,147,306 and bank balance of deposits was \$16,393,514. Of this amount, \$768,227 was covered by federal depository insurance, and \$15,625,287 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, 2014 was \$4,871,611. 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, 2014, the Authority had the following investments and maturities:

Fund - Investment Type	Fair Value	Investment Maturity (in Years)			
		Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	\$1,350,137	1,733	1,348,404	-	-
Other Projects:					
U.S. Treasuries	47,317,545	7,254,670	40,062,875	-	-
U.S. Agencies	58,672,229	4,739,785	53,932,444	-	-
Municipal Bonds	17,979,809	11,087,525	6,892,284	-	-
Money Market	5,296,226	5,296,226	-	-	-
	129,265,809	28,378,206	100,887,603	-	-
Rural Utility Services:					
U.S. Treasuries	8,752,862	3,255,757	5,497,105	-	-
U.S. Agencies	3,333,350	3,333,350	-	-	-
Municipal Bonds	1,059,708	16,973	1,042,735	-	-
Money Market	675,097	675,097	-	-	-
	13,821,017	7,281,177	6,539,840	-	-

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Fund - Investment Type	Fair Value	Investment Maturity (in Years) - Continued			
		Less than 1	1 - 5	6 - 10	More Than 10
Community Assistance:					
U.S. Treasuries	\$16,780,445	7,840,798	8,939,647	-	-
U.S. Agencies	999,584	764	998,820	-	-
STAROhio	292,286	292,286	-	-	-
Money Market	4,736,873	4,736,873	-	-	-
	22,809,188	12,870,721	9,938,467	-	-
Fresh Water:					
U.S. Treasuries	92,329,885	63,502,563	27,424,410	1,298,650	104,262
U.S. Agencies	50,431,563	3,851,396	46,580,167	-	-
Municipal Bonds	4,650,195	1,975,219	2,674,976	-	-
STAROhio	706,743	706,743	-	-	-
Money Market	15,191,443	15,191,443	-	-	-
	163,309,829	85,227,364	76,679,553	1,298,650	104,262
Water Pollution Control Loan:					
U.S. Treasuries	454,520,252	121,860,727	332,263,151	396,374	-
U.S. Agencies	415,885,868	205,257,559	210,628,309	-	-
Municipal Bonds	26,070,123	11,900,928	14,169,195	-	-
STAROhio	22,072,326	22,072,326	-	-	-
Money Market	38,603,712	38,603,712	-	-	-
	957,152,281	399,695,252	557,060,655	396,374	-
Drinking Water Assistance:					
U.S. Treasuries	48,377,347	22,954,940	25,422,407	-	-
U.S. Agencies	44,946,787	31,838,773	13,108,014	-	-
STAROhio	31,845	31,845	-	-	-
Money Market	35,221,581	35,221,581	-	-	-
	128,577,560	90,047,139	38,530,421	-	-

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, 2014, 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 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 Aaa-mf by Moody's. As of December 31, 2014, 98.36% of the Authority's rated investments were rated in the highest short-term or long-term rating category by Moody's.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2014, 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	70%
	Federal Home Loan Mortgage Corporation	30%
Other Projects	Federal National Mortgage Association	31%
	Federal Home Loan Mortgage Corporation	9%
Rural Utility Services	Federal Home Loan Bank	15%
	Federal Home Loan Mortgage Corporation	7%
Fresh Water	Federal National Mortgage Association	21%
	Federal Home Loan Mortgage Corporation	8%
	Federal Home Loan Bank	6%
Water Pollution Control Loan	Federal National Mortgage Association	19%
	Federal Home Loan Bank	14%
	Federal Home Loan Mortgage Corporation	8%
	Federal Farm Credit Bank	6%
Drinking Water Assistance	Federal National Mortgage Association	18%
	Federal Home Loan Bank	17%
	Federal Home Loan Mortgage Corporation	8%
	Federal Farm Credit Bank	6%

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

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2014, the Authority had cash and cash equivalents balances of \$138,975,438, which includes accrued interest receivables on money market balances. Below is a reconciliation of the statement of net position and the statement of cash flows cash and cash equivalents balances:

Fund	Statement of Net Position Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Statement of Cash Flows Cash and Cash Equivalents Balance
Operating	\$ 931,914	-	931,914
Other Projects	5,962,257	-	5,962,257
Rural Utility Services	675,097	(6)	675,091
Community Assistance	6,014,654	(33)	6,014,621
Fresh Water	20,819,662	(242)	20,819,420
Water Pollution Control Loan	67,783,240	(794)	67,782,446
Drinking Water Assistance	36,788,614	(195)	36,788,419
	<u>\$ 138,975,438</u>	<u>(1,270)</u>	<u>138,974,168</u>

(3) INTERFUND RECEIVABLES AND PAYABLES

On December 31, 2014, interfund balances consisted of:

- 1) \$9,540 owed to the Operating Fund by the Drinking Water Assistance Fund caused by the timing of pending loan fee repayment allocations.
- 2) \$147,227 owed to the Fresh Water Fund by the Operating Fund caused by collections from a settlement on a loan that had been previously written off.

(4) PRIOR PERIOD ADJUSTMENT—SETTLEMENT RECOVERY, PAYROLL AND ARBITRAGE REBATE RECEIVABLE

Prior to 2014, the Authority engaged in litigation to collect payment on a delinquent non-pledged Fresh Water Fund loan which had been written off in 2002. In 2009, a settlement was reached with the borrower and the Authority started receiving settlement payments. The settlement payments were allocated first to the Operating Fund to cover legal costs, and second to the Fresh Water Fund to be applied to the outstanding loan balance. The settlement payments allocated to the Operating Fund exceeded legal fees by \$83,535, causing net position on January 1, 2014 in the Operating Fund to be overstated and net position on January 1, 2014 in the Fresh Water Fund to be understated by this amount. As a result, net position as of January 1, 2014 has been restated, as noted in the table below.

In 2013, the Authority miscalculated the accrual of compensated absences causing payroll expense for 2013 to be understated by \$1,649 and net position on January 1, 2014 to be overstated by this amount. As a result, net position as of January 1, 2014 has been restated by this amount, resulting in a decrease as noted in the table below.

In 2014, the Authority realized an arbitrage rebate receivable that should have been written off prior to 2014. This caused other receivables on January 1, 2014 to be overstated by \$1,318,953 (\$1,086,940 in the Fresh Water Fund and \$232,013 in the Water Pollution Control Loan Fund) and net position on

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

January 1, 2014 to be overstated by this amount. As a result, net position as of January 1, 2014 has been restated by this amount, resulting in a decrease as noted in the table below.

		Operating Fund	Fresh Water Fund	WPCLF Fund
As previously reported	\$	4,305,148	629,789,773	2,345,292,274
Restatement (settlement)		(83,535)	83,535	-
Restatement (payroll)		(1,649)	-	-
Restatement (rebate)		-	(1,086,940)	(232,013)
As restated	\$	4,219,964	628,786,368	2,345,060,261

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

As of December 31, 2014, there was \$84,345,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2005	Serial	5.25%	2015-2017	\$	2,355,000	4,780,000	7,135,000
2009	Serial	2.50% to 4.00%	2015-2019		965,000	4,160,000	5,125,000
	Term	3.25% to 5.00%	2020-2030		-	15,545,000	15,545,000
2010B	Serial	3.25% to 4.85%	2015-2020		200,000	1,305,000	1,505,000
	Term	5.42% to 6.15%	2021-2038		-	27,380,000	27,380,000
2011	Serial	2.50% to 5.00%	2015-2022		2,435,000	18,380,000	20,815,000
2013	Serial	0.32% to 1.05%	2015-2017		2,920,000	3,920,000	6,840,000
Community Assistance Fund Totals					8,875,000	75,470,000	84,345,000
Add: unamortized premiums					-	2,129,742	2,129,742
					\$ 8,875,000	77,599,742	86,474,742

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

		Principal	Interest *	Total
2015	\$	8,875,000	3,837,397	12,712,397
2016		9,120,000	3,562,865	12,682,865
2017		7,395,000	3,255,080	10,650,080
2018		4,165,000	3,006,541	7,171,541
2019		4,205,000	2,815,857	7,020,857
2020-2024		15,380,000	11,559,962	26,939,962
2025-2029		9,770,000	8,842,904	18,612,904
2030-2034		16,080,000	5,710,383	21,790,383
2035-2038		9,355,000	1,079,171	10,434,171
	\$	84,345,000	43,670,160	128,015,160

* 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. In 2014, the subsidy was cut 7.3% resulting in an effective subsidy equaling 32.445% of interest paid. The interest reported in this

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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 \$33,087,586.

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

- a) Community Assistance Refunding Series 2005 – The Series 2005 bonds are not subject to redemption prior to their stated maturity.
- b) 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.
- c) 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.
- d) Community Assistance Series 2011 – The Series 2011 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.
- e) Community Assistance Refunding Series 2013 – The Series 2013 Bonds are not subject to redemption prior to their stated maturity.

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 2014, the amount received from reimbursements of Community Assistance project costs was \$14,065,654, compared to the required bond debt service payments of \$12,738,970.

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, 2014, there is no accrued rebate liability for these bonds.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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.

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

As of December 31, 2014, there was \$573,945,000 of Fresh Water Development Revenue and Refunding Bonds and Notes outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>	
2001B	Serial	4.75% to 5.50%	2015-2021	\$	6,545,000	26,425,000	32,970,000	
2005	Serial	5.00% to 5.50%	2015-2025		5,860,000	76,440,000	82,300,000	
2006	Term	5.25%	2022-2034		-	51,100,000	51,100,000	
2009A	Serial	3.00% to 5.00%	2015-2016		16,755,000	17,225,000	33,980,000	
2009B	Serial	3.00% to 5.00%	2015-2022		9,790,000	28,625,000	38,415,000	
	Term	3.125% to 5.250%	2020-2027		-	27,010,000	27,010,000	
2010A-2	Term	3.593% to 4.917%	2020-2042		-	149,290,000	149,290,000	
2013	Term	2.00% to 5.00%	2018-2023		-	108,880,000	108,880,000	
2014	Notes	Variable	2016		-	50,000,000	50,000,000	
Fresh Water Fund Totals						38,950,000	534,995,000	573,945,000
Add: unamortized premiums						-	33,948,331	33,948,331
					\$	38,950,000	568,943,331	607,893,331

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

		Principal	Interest*	Total
2015	\$	38,950,000	25,989,734	64,939,734
2016		88,180,000	24,052,726	112,232,726
2017		21,255,000	22,108,309	43,363,309
2018		30,180,000	20,985,522	51,165,522
2019		42,710,000	19,163,684	61,873,684
2020-2024		185,260,000	63,098,879	248,358,879
2025-2029		80,565,000	31,929,359	112,494,359
2030-2034		47,595,000	15,773,997	63,368,997
2035-2039		32,080,000	5,687,002	37,767,002
2040-2042		7,170,000	438,842	7,608,842
	\$	573,945,000	229,228,054	803,173,054

The Fresh Water Series 2014 Notes are taxable and have an adjustable rate that is reset monthly at a rate of 30 day LIBOR plus 0.40%. The notes interest payments to maturity are based on the rate for these notes at December 31, 2014, which was 0.5695%.

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2014, the subsidy was cut 7.3% resulting in an effective subsidy equaling 32.445% 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 \$190,915,221.

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

- a) Fresh Water Series 2001B – The Series 2001B Bonds are not subject to redemption prior to maturity.
- b) Fresh Water Refunding Series 2005 – The Series 2005 Bonds are not subject to redemption prior to maturity.
- c) 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.
- d) Fresh Water Series 2009A – The Series 2009A Bonds are not subject to redemption prior to maturity.
- e) 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.
- f) 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.
- g) Fresh Water Series 2013 – The Series 2013 Bonds are not subject to redemption prior to maturity.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- h) Fresh Water Series 2014 Notes – These notes are subject to optional redemption 30 days after the date of issuance, at par plus accrued interest.

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 and Construction accounts are also pledged as security for the bonds. For the calendar year 2014, the amount received from reimbursements of Fresh Water project costs was \$109,894,735, compared to the required bond debt service payments of \$71,668,103.

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, 2014, 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 and notes 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)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

As of December 31, 2014, there was \$1,341,867,356 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2003	Serial	5.25%	2015	13,380,000	-	13,380,000
2005 ref	Serial	5.25% to 5.50%	2015-2023	24,445,000	191,000,000	215,445,000
2005B	Serial	4.25%	2015	1,420,000	-	1,420,000
	CABS*	4.33% to 4.45%	2015-2017	23,440,000	33,332,356	56,772,356
2009	Serial	2.00% to 5.00%	2015-2019	24,495,000	96,920,000	121,415,000
2010A	Serial	2.75% to 5.00%	2015-2030	9,825,000	41,105,000	50,930,000
	Term	5.00%	2025-2029	-	114,050,000	114,050,000
2010B-1	Serial	2.00% to 5.00%	2015-2018	6,920,000	22,115,000	29,035,000
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	23,620,000	77,590,000	101,210,000
2011B-1	Serial	3.00% to 5.00%	2015-2018	10,320,000	66,540,000	76,860,000
2011B-2	Serial	0.93% to 1.33%	2015	8,270,000	-	8,270,000
2012A ref	Serial	0.59% to 1.80%	2015-2018	15,560,000	35,195,000	50,755,000
WPCLF Water Quality Series Totals				161,695,000	1,180,172,356	1,341,867,356
Add: unamortized premiums				160,630	49,856,960	50,017,590
				\$ 161,855,630	1,230,029,316	1,391,884,946

CABS* - Capital Appreciation Bonds

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

- a) Water Quality Refunding Series 2003 – These bonds are not subject to mandatory or optional redemption prior to maturity.
- b) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.
- c) 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.
- d) Water Quality Refunding Series 2009 – These bonds are not subject to redemption prior to stated maturity.
- e) 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.
- f) 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

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

part, at a redemption price equal to approximately 102% of the accreted value of each maturity on August 24, 2013.

- g) 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.
- h) Water Quality Refunding Series 2010C – These bonds are not subject to redemption prior to their stated maturity.
- i) Water Quality Refunding Series 2011A – These bonds are not subject to redemption prior to their stated maturity.
- j) Water Quality Refunding Series 2011B-1 – These bonds are not subject to redemption prior to their stated maturity.
- k) Water Quality Refunding Series 2011B-2 – These bonds are not subject to redemption prior to their stated maturity.
- l) Water Quality Refunding Series 2012A – 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)
2015	\$ 161,695,000	58,536,238	220,231,238
2016	163,005,000	52,942,495	215,947,495
2017	162,945,000	46,880,843	209,825,843
2018	118,065,000	40,236,428	158,301,428
2019	101,600,000	35,044,803	136,644,803
2020-2024	183,075,000	134,358,908	317,433,908
2025-2029	343,385,000	68,028,056	411,413,056
2030-2034	112,005,000	12,226,988	124,231,988
	\$ 1,345,775,000	448,254,759	1,794,029,759

(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. In 2014, the subsidy was cut 7.3% resulting in an effective subsidy equaling 32.445% 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 \$358,704,548.

LGA reimbursements of WPCLF project costs of principal and interest (from loans made prior to May 1, 2014) pursuant to the WPCLF loan agreements, are pledged first as security for the WPCLF Water Quality bonds, next to the WPCLF Water Quality Debt service reserve (DSR) for any shortages from required DSR balance and finally as security for the WPCLF Bonds. In the event that LGA

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

reimbursements of WPCLF principal and interest 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 2014, the amount received from reimbursements of WPCLF principal and interest project costs were \$285,805,918, compared to the required bond debt service payments of \$206,502,362.

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, 2014, there is no accrued rebate liability for these bonds.

Amounts received as principal and the interest (from loans made prior to May 1, 2014) 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 Water Quality Bonds due on the next interest payment date, (b) the principal of all outstanding WPCLF Water Quality Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding WPCLF Water Quality 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 Water Quality Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Water Quality 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 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.
- e) To the WPCLF Bonds to cover principal and interest due on the next payment 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 last day of May or November of each year.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(8) WATER POLLUTION CONTROL LOAN FUND REVENUE AND REFUNDING BONDS—WPCLF BOND SERIES

As of December 31, 2014, there was \$471,805,000 of Water Pollution Control Loan Fund Revenue and Refunding Bonds —WPCLF Bond Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2014	Serial	2.00% to 5.00%	2018-2024	-	333,815,000	333,815,000
2014B	Serial	1.00% to 5.00%	2015-2022	1,065,000	136,925,000	137,990,000
WPCLF Bond Series Totals				1,065,000	470,740,000	471,805,000
Add: unamortized premiums				-	88,738,180	88,738,180
				\$ 1,065,000	559,478,180	560,543,180

The WPCLF Series 2014B bonds were issued to advance refund \$139,360,000 of the WPCLF Water Quality Series 2010A Bonds. Although the refunding resulted in a deferred accounting loss of \$11,556,911, the Authority in effect reduced its aggregate debt service payments by \$14,501,429 and achieved an economic gain of \$9,674,923.

Prior redemption of WPCLF Bonds, by series, is as follows:

- a) WPCLF Series 2014 – These bonds are not subject to redemption prior to their stated maturity.
- b) WPCLF Refunding Series 2014B – These bonds are not subject to redemption prior to their stated maturity.

The WPCLF Bond Series debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,065,000	22,453,612	23,518,612
2016	-	22,983,200	22,983,200
2017	-	22,983,200	22,983,200
2018	27,635,000	22,665,300	50,300,300
2019	45,910,000	21,167,400	67,077,400
2020-2024	397,195,000	48,340,675	445,535,675
	\$ 471,805,000	160,593,387	632,398,387

LGA reimbursements of WPCLF project costs of principal and interest (from loans made prior to May 1, 2014), pursuant to WPCLF loan agreements, are pledged as security for the WPCLF Bonds on a subordinate basis to the WPCLF Water Quality Bonds. LGA reimbursements of WPCLF project costs of interest from loans made after May 1, 2014, pursuant to WPCLF loan agreements are primarily pledged to The WPCLF Bonds. WPCLF Bond debt service is funded after all WPCLF Water Quality debt service due on the next debt service payment date is funded and, if necessary, any shortages of the WPCLF Water Quality DSR required balance is funded. In the event that LGA reimbursements of WPCLF project costs of principal and interest are insufficient to cover WPCLF Water Quality and/or WPCLF Bond debt service payments any 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 2014, the amount received from reimbursements of WPCLF principal and interest project costs after funding of WPCLF Water Quality Debt Service was \$79,066,155, compared to the required bond debt service payments of \$9,539,571.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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, 2014, there is no accrued rebate liability for these bonds.

Amounts received as principal and interest from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. After all WPCLF Water Quality debt service and DSR funding needs are met, the trustee then allocates or pays out moneys in the Repayment account to WPCLF Bonds 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) If applicable, 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 value at least equal to the required reserve fund balance
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

(9) DRINKING WATER ASSISTANCE FUND REVENUE NOTES—STATE MATCH SERIES

As of December 31, 2014, there was \$11,000,000 of Drinking Water Assistance Fund (DWAF) Revenue Notes—State Match Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
2014	Notes	0.30%	2015	\$ 11,000,000

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

- a) State Match Series 2014 – These notes are not subject to redemption prior to their stated maturity.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015 \$	11,000,000	8,525	11,008,525

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

LGA reimbursements of DWAF project costs of interest only, not the principal, pursuant to DWAF loan agreements, are pledged as security for the notes. 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 notes. For the calendar year 2014, the amount received from reimbursements of DWAF interest project costs was \$15,865,630, compared to the required bond debt service payments of \$11,039,956.

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, 2014, 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 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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

As of December 31, 2014, there was \$219,455,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—Leverage Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2005 ref	Serial	5.00% to 5.25%	2015-2023	3,795,000	14,910,000	18,705,000
	Term	5.25%	2019-2022	-	17,860,000	17,860,000
2005B	Serial	4.75% to 5.00%	2015-2026	3,330,000	165,000	3,495,000
	Term	4.50% to 5.00%	2016-2025	-	2,115,000	2,115,000
2008	Serial	3.50% to 5.00%	2015-2018	3,050,000	8,170,000	11,220,000
2010B	Term	5.276% to 5.742%	2022-2030	-	44,530,000	44,530,000
2010C	Serial	4.00% to 5.00%	2015-2021	8,130,000	75,670,000	83,800,000
2014	Serial	3.00% to 5.00%	2016-2024	-	37,730,000	37,730,000
DWAF Leverage Series Totals				18,305,000	201,150,000	219,455,000
Add: unamortized premiums				-	15,231,072	15,231,072
				\$	18,305,000	216,381,072
					216,381,072	234,686,072

The DWAF Leverage Series 2014 Bonds were issued to advance refund \$13,860,000 of the DWAF Leverage Series 2005B Bonds and \$26,305,000 of the DWAF Leverage Series 2008 Bonds. Although the refunding resulted in a deferred accounting loss of \$2,621,389, the Authority in effect reduced its aggregate debt service payments by \$5,675,387 and achieved an economic gain of \$4,310,761.

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) 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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- f) Leverage Refunding Series 2014 – These bonds are not subject to redemption prior to their stated maturity.

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

		<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2015	\$	18,305,000	10,525,278	28,830,278
2016		19,745,000	9,745,858	29,490,858
2017		23,185,000	8,778,158	31,963,158
2018		24,775,000	7,636,678	32,411,678
2019		25,295,000	6,420,353	31,715,353
2020-2024		76,990,000	16,378,037	93,368,037
2025-2029		26,915,000	5,519,724	32,434,724
2030		4,245,000	176,997	4,421,997
	\$	<u>219,455,000</u>	<u>65,181,083</u>	<u>284,636,083</u>

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2014, the subsidy was cut 7.3% resulting in an effective subsidy equaling 32.445% 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 \$55,273,158.

LGA reimbursements of DWAF project costs of principal only, not the interest, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF principal project costs are insufficient to cover DWAF Leverage debt service payments, unencumbered assets of the DWAF Leverage Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2014, the amount received from reimbursements of DWAF principal project costs was \$35,847,709, compared to the required bond debt service payments of \$28,855,696.

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, 2014, 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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- 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 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.

(11) 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, 2014 which has been defeased:

Series	Year Defeased	Balance Outstanding
Pure Water 1989 & 1990	1992	\$ 5,380,000
Community Assistance 2005	2013	11,365,000
WPCLF Water Quality 2005B	2009	137,685,000
WPCLF Water Quality 2005B	2011	101,185,000
WPCLF Water Quality 2005B	2012	53,825,000
WPCLF Water Quality 2010A	2014	139,360,000
DWAF Leverage 2005B & 2008	2010	41,140,000
DWAF Leverage 2005B & 2008	2014	40,165,000
		\$ 530,105,000

(12) 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, 2014, outstanding bonds and notes under this program total \$2,040,245,000.

(13) 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

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

and defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2014, 2013 and 2012 were approximately \$1,202,000, \$1,205,000 and \$1,148,000, respectively. In 2014, the employee and employer contribution rates were 10% and 14%, respectively, for all Authority employees. Total required employer contributions were approximately \$168,000, \$168,000 and \$160,000 for the years ending December 31, 2014, 2013 and 2012, 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 under the Traditional Pension and Combined Plans, age-and-service retirees with a retirement effective date after January 1, 2015 must be age 60 with 20 years of qualifying Ohio service credit or be any age retiring with at least 30 years of qualifying service. Health care coverage for disability benefit recipients is available for five years after which recipient must meet minimum age and service requirements or be enrolled in Social Security Disability Insurance/Medicare due to disability status to remain enrolled in OPERS plan. 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 2.00% for 2014. The Authority's 2014 employer contributions made to fund post-employment benefits were \$24,049, covering 19 participants. The Authority's 2013 and 2012 contributions to fund post-employment benefits were \$12,059 (21 participants with 1.00% allocated) and \$45,935 (21 participants with 4% allocated), 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.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the three year transition period.

(14) COMMITMENTS

As of December 31, 2014, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 23,799,786
Community Assistance	3,082,967
Fresh Water	223,661,125
Water Pollution Control Loan	622,353,000
Drinking Water Assistance	<u>55,207,439</u>
	<u>\$ 928,104,317</u>

Loan commitments consist of loan awards that have been encumbered by the Authority but not yet disbursed to the LGAs. The Authority intends to meet these LGA commitments with currently available funds and grant commitments from the U.S. EPA.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(15) TRANSFERS

Interfund transfers for the year ended December 31, 2014 consisted of the following:

Transfers, net, to Other Projects from:	
Community Assistance	732,526
Fresh Water	22,333,748
	\$ 23,066,274
Transfer from Rural Utility Services to:	
Fresh Water	\$ (4,050,000)
Transfers to (from) Community Assistance from (to):	
Other Projects	(732,526)
Fresh Water	277,470
	\$ (455,056)
Transfers, net, to (from) Fresh Water from (to):	
Other Projects	(22,333,748)
Rural Utility Services	4,050,000
Community Assistance	(277,470)
	\$ (18,561,218)
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, 2014, the Authority made the following non-routine transfers:

- a) \$22,525,702 transferred from the Fresh Water Fund and \$732,526 from the Community Assistance Fund to the Other Projects Fund for additional funding for Other Projects Fund loans and grants.
- b) \$277,470 in net transfers from the Fresh Water Fund to the Community Assistance Fund for additional funding for Community Assistance Fund loans.
- c) \$4,050,000 transferred from the Rural Utility Services Fund to the Fresh Water Fund for additional funding for Fresh Water Fund loans.

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(16) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2014, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2013 Balance	Additions	Reductions	12/31/2014 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences, as restated	\$ 237,829	169,732	157,526	250,035	49,467	200,568
Revenue Bonds and Notes Payable	2,881,730,082	654,990,945	655,238,756	2,881,482,271	229,050,630	2,652,431,641
Total Long-Term Liabilities	\$2,881,967,911	655,160,677	655,396,282	2,881,732,306	229,100,097	2,652,632,209

(17) CHANGES IN SHORT-TERM LIABILITIES

As of December 31, 2014, the Authority has the following short-term liability:

Short-Term Liability	12/31/2013 Balance	Additions	Reductions	12/31/2014 Balance
Short-Term Revenue Notes Payable	\$ -	11,000,000	-	11,000,000

(18) SUBSEQUENT EVENT

Since December 31, 2014, the Authority has issued additional debt. The Authority issued \$25,000,000 in Water Development Revenue Notes – Fresh Water Series 2015A on March 2, 2015. As these notes were not issued until 2015, they are not included in the long-term debt of the Authority as of December 31, 2014.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and each major fund of the Ohio Water Development Authority (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 31, 2015



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 7, 2015**