



**Auditor of State  
Betty Montgomery**



**OHIO WATER  
DEVELOPMENT AUTHORITY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages three through seven is not a required part of the financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**BETTY MONTGOMERY**  
Auditor of State

March 28, 2003

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

December 31, 2002

As management of the Ohio Water Development Authority (the Authority), a discretely presented component unit of the State of Ohio, we offer readers of the Authority's financial statements this unaudited narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements, which begin on page 8 of this report.

### Financial Highlights

- The Authority's net assets increased during the fiscal year 2002 by \$142,857,276 or 7.7%
- During 2002, the Authority's loan receivable balance increased by \$182,448,301 or 7.7%
- The cash and investments increased during 2002 by \$140,423,483 or 14.7%
- During 2002, the Authority was able to get a rating upgrade on its Fresh Water Bond Series from "Aa3" to "Aa2" and "AA+" to "AAA" from Moody's and Standard & Poor's, respectively

### Overview of the Financial Statements

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

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

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2002. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements and individual schedules of combining statements. The notes to financial statements can be found on pages 14-60 of this report.

**Individual schedules of combining statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The individual schedules of combining statements can be found on pages 62-109 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 2002 and 2001, respectively. The Authority first implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2001; therefore, comparative numbers have been included for analysis purposes.

The following table summarizes changes in net assets of the Authority between December 31, 2002 and December 31, 2001:

#### Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2002	2001	Dollar Change	Total Percent Change
Current assets	\$92,462	101,895	(9,433)	(9.3%)
Noncurrent restricted assets	3,495,851	3,171,915	323,936	10.2%
Noncurrent unrestricted assets	68,616	58,478	10,138	17.3%
Capital assets	1,790	539	1,251	232.1%
<b>Total assets</b>	<b>3,658,719</b>	<b>3,332,827</b>	<b>325,892</b>	<b>9.8%</b>
Current liabilities	155,882	242,652	(86,770)	(35.8%)
Noncurrent revenue bonds and notes payable	1,509,311	1,239,640	269,671	21.8%
Other noncurrent liabilities	134	–	134	
<b>Total liabilities</b>	<b>1,665,327</b>	<b>1,482,292</b>	<b>183,035</b>	<b>12.3%</b>
Net assets:				
Invested in capital assets	1,790	539	1,251	232.1%
Restricted	1,838,858	1,706,422	132,436	7.8%
Unrestricted	152,744	143,574	9,170	6.4%
<b>Total net assets</b>	<b>1,993,392</b>	<b>1,850,535</b>	<b>142,857</b>	<b>7.7%</b>
<b>Total liabilities and net assets</b>	<b>\$3,658,719</b>	<b>3,332,827</b>	<b>325,892</b>	<b>9.8%</b>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1,993,392,340 as of December 31, 2002, \$1,838,857,691 of which is restricted for debt and grant covenants.



# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

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

During the fiscal year 2002, the Authority's net assets increased by \$142,857,276 or 7.7%. The majority of this increase was due to the following:

- A \$182,448,301 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds
- A \$145,782,964 increase in investments funded by the proceeds of bond and note issuances
- A \$194,042,932 increase in bonds and notes payable, the proceeds of which will be used to fund future loan receivables
- A \$1,251,462 increase in capital assets due to the purchase of a \$1,426,200 office building, offset by current year depreciation expense on all capital assets

The following table summarizes the changes in revenues and expenses for the Authority between 2002 and 2001:

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

	2002	2001	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$120,099	117,586	2,513	2.1%
Investment income	23,407	41,606	(18,199)	(43.7)%
Administrative fees from projects	2,211	2,298	(87)	(3.8)%
Total operating revenues	145,717	161,490	(15,773)	(9.8)%
Operating expenses:				
Interest on bonds and notes	82,477	75,468	7,009	9.3%
Amortization of bond and note issuance expense	1,844	1,353	491	36.3%
Other	11,020	11,136	(116)	(1.0)%
Total operating expenses	95,341	87,957	7,384	8.4%
Operating income	50,376	73,533	(23,157)	(31.5)%
Nonoperating other revenues	7,034	581	6,453	1,111%
Contribution from U.S. EPA	85,447	115,128	(29,681)	(25.8)%
Change in net assets	\$142,857	189,242	(46,385)	(24.5)%

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest expense on bonds and notes. For the year ending December 31, 2002, the Authority had a decrease in operating income compared to 2001 of \$23,157,252 (31.5%). This decrease was attributed to the following:

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

- A \$18,200,305 decrease in investment income caused by a reduction on the yields the Authority was able to obtain on securities traded in 2002
- A \$7,008,630 increase in interest on bonds and notes attributed to additional bond and note issuances by the Authority in 2002

### Debt Administration

As of December 31, 2002, the Authority had bond and note principal outstanding of \$1,614,963,522. 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 2002 and 2001.

#### Outstanding Debt at December 31, 2002 and December 31, 2001 (net of premiums, discounts and deferred losses)

(all amounts expressed in thousands of dollars)

	2002	2001
Revenue Bonds	\$1,607,984	1,316,435
Revenue Notes	6,980	5,855
Bond Anticipation Notes	—	98,631
Total	<u>\$1,614,964</u>	<u>1,420,921</u>

During 2002, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Development Revenue Notes—Rural Development Series 2002-A
- Water Development Revenue Bonds—Fresh Water Improvement Series 2002
- Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2002
- Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002
- Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002

During 2002, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Development Revenue Refunding Bonds—Pure Water Refunding Series 2002A were issued to partially refund previously outstanding Pure Water Refunding and Improvement Series bonds. This transaction enabled the Authority to save \$6,571,107 in future debt service payments.
- Water Development Revenue Refunding Variable Rate Bonds—Pure Water Refunding Series 2002B were issued to partially refund previously outstanding Pure Water Refunding and Improvement Series bonds. This transaction enabled the Authority to save \$5,418,423 in future debt service payments.

# OHIO WATER DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

The Authority continues to maintain strong bond ratings from both Moody's and Standard & Poor's. The table below summarizes the bond ratings from Moody's and Standard & Poor's for the 2002 new money issues of the Authority.

### 2002 Bond Ratings

Bond Series	Moody's	Standard & Poor's
Fresh Water Improvement Series 2002	Aa2	AAA
WPCLF Water Quality Series 2002	Aaa	AAA
DWAF State Match Series 2002	Aaa	AAA
DWAF Leverage Series 2002	Aaa	AAA

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 26-56 of this report.

### Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer, Ohio Water Development Authority, 88 E Broad St, Suite 1300, Columbus, Ohio 43215, or call (614) 466-5822, or visit the Authority's website at [www.owda.org](http://www.owda.org).

## OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2002

Assets	Trusteed Funds				
	Operating Fund	Working Capital Fund	Community Assistance Fund (Note 4)	Other Projects Fund	Rural Utility Services Fund (Note 5)
<b>Current assets:</b>					
Cash and cash equivalents -- Note 2	\$ 13,424	-	-	57,186	-
Investments -- Note 2	3,369,120	-	-	87,293,415	-
<b>Receivables:</b>					
Loan receivables	267,052	-	-	1,449,654	-
Other	12,092	-	-	-	-
Total current assets	3,661,688	-	-	88,800,255	-
<b>Noncurrent assets:</b>					
<b>Restricted grant, bond, and note covenant assets:</b>					
Cash and cash equivalents -- Note 2	-	-	605,587	-	-
Investments -- Note 2	-	-	51,297,341	-	10,703,573
Loan receivables	-	4,156,837	107,631,280	-	14,861,256
Total restricted assets	-	4,156,837	159,534,208	-	25,564,829
Investments -- Note 2	2,563,698	-	-	27,529,594	-
Loan receivables	-	-	-	20,214,023	-
Other receivables	-	-	141,128	-	-
Deferred bond and note issuance expense	-	-	573,280	-	66,047
Due from other funds -- Note 3	140,257	-	-	-	-
Capital assets, at depreciated cost	1,790,137	-	-	-	-
Total noncurrent assets	4,494,092	-	714,408	47,743,617	66,047
Total assets	\$ 8,155,780	4,156,837	160,248,616	136,543,872	25,630,876
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	272,929	-	-	369,774	-
Compensated absences	42,597	-	-	-	-
Total current liabilities	315,526	-	-	369,774	-
<b>Current liabilities payable from restricted assets:</b>					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	1,127,984	-	1,094,350
Accrued interest	-	-	203,437	-	7,129
Revenue bonds and notes payable	-	-	1,810,000	-	-
Total current liabilities payable from restricted assets	-	-	3,141,421	-	1,101,479
<b>Noncurrent liabilities:</b>					
Compensated absences	134,321	-	-	-	-
Revenue bonds and notes payable (net of premiums, discounts, and deferred losses)	-	-	44,564,920	-	6,980,000
Total noncurrent liabilities	134,321	-	44,564,920	-	6,980,000
Total liabilities	449,847	-	47,706,341	369,774	8,081,479
<b>Net Assets</b>					
Invested in capital assets	1,790,137	-	-	-	-
Restricted for debt and grant covenants	-	4,156,837	112,542,275	-	17,549,397
Unrestricted	5,915,796	-	-	136,174,098	-
Total net assets	7,705,933	4,156,837	112,542,275	136,174,098	17,549,397
Total liabilities and net assets	\$ 8,155,780	4,156,837	160,248,616	136,543,872	25,630,876

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 6, 7, 8 & 9)	Refunding Fund (Note 10)	Safe Water Refunding Fund (Notes 11, 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22 & 23)	Drinking Water Assistance Fund (Notes 24 & 25)	Total Combining 2002
-	-	-	-	-	-	70,610
-	-	-	-	-	-	90,662,535
-	-	-	-	-	-	1,716,706
-	-	-	-	-	-	12,092
-	-	-	-	-	-	92,461,943
1,811,547	272,778	285,036	3,731,720	6,437,218	921,674	14,065,560
234,172,356	10,209,573	29,091,421	60,740,033	472,160,023	93,369,310	961,743,630
370,329,793	28,603,307	108,273,168	295,789,542	1,473,623,808	116,772,455	2,520,041,446
<u>606,313,696</u>	<u>39,085,658</u>	<u>137,649,625</u>	<u>360,261,295</u>	<u>1,952,221,049</u>	<u>211,063,439</u>	<u>3,495,850,636</u>
-	-	-	-	-	-	30,093,292
-	-	-	-	-	-	20,214,023
209,626	-	81,613	-	1,342,674	-	1,775,041
3,352,666	1,000,848	884,715	3,228,582	6,486,153	777,512	16,369,803
23,776	-	-	-	-	-	164,033
-	-	-	-	-	-	1,790,137
<u>3,586,068</u>	<u>1,000,848</u>	<u>966,328</u>	<u>3,228,582</u>	<u>7,828,827</u>	<u>777,512</u>	<u>70,406,329</u>
<u>609,899,764</u>	<u>40,086,506</u>	<u>138,615,953</u>	<u>363,489,877</u>	<u>1,960,049,876</u>	<u>211,840,951</u>	<u>3,658,718,908</u>
-	-	-	-	-	-	642,703
-	-	-	-	-	-	42,597
-	-	-	-	-	-	685,300
-	-	-	23,776	-	140,257	164,033
8,664,458	-	-	238,817	25,176,419	6,166,909	42,468,937
1,366,018	116,389	415,113	1,303,666	3,151,088	347,615	6,910,455
10,020,000	7,255,000	18,532,929	28,380,000	37,315,000	2,340,000	105,652,929
20,050,476	7,371,389	18,948,042	29,946,259	65,642,507	8,994,781	155,196,354
-	-	-	-	-	-	134,321
318,890,722	17,412,268	86,160,755	247,204,436	699,393,552	88,703,940	1,509,310,593
<u>318,890,722</u>	<u>17,412,268</u>	<u>86,160,755</u>	<u>247,204,436</u>	<u>699,393,552</u>	<u>88,703,940</u>	<u>1,509,444,914</u>
338,941,198	24,783,657	105,108,797	277,150,695	765,036,059	97,698,721	1,665,326,568
-	-	-	-	-	-	1,790,137
270,958,566	15,302,849	33,507,156	75,684,564	1,195,013,817	114,142,230	1,838,857,691
-	-	-	10,654,618	-	-	152,744,512
<u>270,958,566</u>	<u>15,302,849</u>	<u>33,507,156</u>	<u>86,339,182</u>	<u>1,195,013,817</u>	<u>114,142,230</u>	<u>1,993,392,340</u>
<u>609,899,764</u>	<u>40,086,506</u>	<u>138,615,953</u>	<u>363,489,877</u>	<u>1,960,049,876</u>	<u>211,840,951</u>	<u>3,658,718,908</u>

**OHIO WATER DEVELOPMENT AUTHORITY**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year ended December 31, 2002

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Community Assistance Fund (Note 4)	Other Projects Fund	Rural Utility Services Fund (Note 5)
Operating revenues:					
Loan income	\$ -	328,822	2,002,815	809,741	272,017
Investment income	205,154	-	1,351,785	2,614,319	158,912
Administrative fees from projects	1,802,851	-	-	-	-
Total operating revenues	<u>2,008,005</u>	<u>328,822</u>	<u>3,354,600</u>	<u>3,424,060</u>	<u>430,929</u>
Operating expenses:					
Interest on bonds and notes	-	-	2,467,880	-	131,263
Amortization of bond and note issuance expense	-	-	26,058	-	100,156
Other	2,376,016	-	5,549	951,080	43,622
Total operating expenses	<u>2,376,016</u>	<u>-</u>	<u>2,499,487</u>	<u>951,080</u>	<u>275,041</u>
Operating income (loss)	<u>(368,011)</u>	<u>328,822</u>	<u>855,113</u>	<u>2,472,980</u>	<u>155,888</u>
Nonoperating other revenues (expenses)	8,571	-	141,128	-	(4,833)
Income (loss) before contributions and transfers	<u>(359,440)</u>	<u>328,822</u>	<u>996,241</u>	<u>2,472,980</u>	<u>151,055</u>
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 29	<u>1,433,700</u>	<u>(1,351,386)</u>	<u>(1,237,403)</u>	<u>(3,780,581)</u>	<u>10,000,000</u>
Change in net assets	1,074,260	(1,022,564)	(241,162)	(1,307,601)	10,151,055
Net assets at beginning of year	6,631,673	5,179,401	112,783,437	137,481,699	7,398,342
Net assets at end of year	<u>\$ 7,705,933</u>	<u>4,156,837</u>	<u>112,542,275</u>	<u>136,174,098</u>	<u>17,549,397</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 6, 7, 8 & 9)	Refunding Fund (Note 10)	Safe Water Refunding Fund (Notes 11, 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22 & 23)	Drinking Water Assistance Fund (Notes 24 & 25)	Total Combining 2002
19,757,727	2,139,816	12,412,925	24,218,675	54,051,487	4,105,045	120,099,070
3,517,202	267,070	560,065	2,692,895	10,844,614	1,194,452	23,406,468
-	-	-	-	-	408,559	2,211,410
<u>23,274,929</u>	<u>2,406,886</u>	<u>12,972,990</u>	<u>26,911,570</u>	<u>64,896,101</u>	<u>5,708,056</u>	<u>145,716,948</u>
12,673,269	1,829,146	9,033,395	17,247,506	36,524,860	2,569,400	82,476,719
202,499	71,489	298,600	268,766	830,373	46,025	1,843,966
153,853	6,292	25,981	56,638	4,438,384	2,962,506	11,019,921
<u>13,029,621</u>	<u>1,906,927</u>	<u>9,357,976</u>	<u>17,572,910</u>	<u>41,793,617</u>	<u>5,577,931</u>	<u>95,340,606</u>
<u>10,245,308</u>	<u>499,959</u>	<u>3,615,014</u>	<u>9,338,660</u>	<u>23,102,484</u>	<u>130,125</u>	<u>50,376,342</u>
1,214,142	45,318	104,420	4,021,873	1,503,396	-	7,034,015
<u>11,459,450</u>	<u>545,277</u>	<u>3,719,434</u>	<u>13,360,533</u>	<u>24,605,880</u>	<u>130,125</u>	<u>57,410,357</u>
-	-	-	-	59,292,959	26,153,960	85,446,919
<u>(1,197,019)</u>	<u>(1,648,452)</u>	<u>12,841,924</u>	<u>(15,060,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,262,431	(1,103,175)	16,561,358	(1,700,250)	83,898,839	26,284,085	142,857,276
260,696,135	16,406,024	16,945,798	88,039,432	1,111,114,978	87,858,145	1,850,535,064
<u>270,958,566</u>	<u>15,302,849</u>	<u>33,507,156</u>	<u>86,339,182</u>	<u>1,195,013,817</u>	<u>114,142,230</u>	<u>1,993,392,340</u>

## OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2002

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Community Assistance Fund (Note 4)	Other Projects Fund	Rural Utility Services Fund (Note 5)
Operating activities:					
Administrative fees from projects	\$ 1,791,601	-	-	-	-
Operating expenses	(2,211,352)	-	(3,558)	(108,617)	(43,622)
Salaries and fringes expense	(1,213,378)	-	-	-	-
Net cash (used) by operating activities	<u>(1,633,129)</u>	<u>-</u>	<u>(3,558)</u>	<u>(108,617)</u>	<u>(43,622)</u>
Investing activities:					
Proceeds from maturity or sale of investments	7,453,529	-	770,126,747	411,892,601	32,737,380
Purchase of investments	(7,548,202)	-	(750,748,127)	(412,407,535)	(38,118,641)
Interest received on investments, net of purchased interest	286,440	-	1,294,709	3,419,934	157,979
Interest received on projects	-	-	1,808,721	880,701	-
Principal collected on projects	-	-	4,043,969	9,733,282	6,556,172
Payment for construction of projects	-	-	(20,647,343)	(9,600,486)	(12,101,886)
Net cash provided (used) by investing activities	<u>191,767</u>	<u>-</u>	<u>5,878,676</u>	<u>3,918,497</u>	<u>(10,768,996)</u>
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	(2,498,670)	-	(131,000)
Proceeds of bonds and notes	-	-	-	-	7,975,000
Bond and note issuance expense	-	-	-	-	(103,199)
Redemption of bonds and notes	-	-	(1,735,000)	-	(6,850,000)
Contribution from U.S. EPA	-	-	-	-	-
Other	8,572	-	(133,960)	-	(78,183)
Transfers (to) from other funds	1,433,700	-	(1,232,978)	(3,780,581)	10,000,000
Net cash provided (used) by noncapital financing activities	<u>1,442,272</u>	<u>-</u>	<u>(5,600,608)</u>	<u>(3,780,581)</u>	<u>10,812,618</u>
Net increase (decrease) in cash and cash equivalents	910	-	274,510	29,299	-
Cash and cash equivalents at beginning of year	<u>12,514</u>	<u>-</u>	<u>331,077</u>	<u>27,887</u>	<u>-</u>
Cash and cash equivalents at end of year -- Note 2	<u>\$ 13,424</u>	<u>-</u>	<u>605,587</u>	<u>57,186</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	(368,011)	328,822	855,113	2,472,980	155,888
Adjustments:					
Investment income	(205,154)	-	(1,351,785)	(2,614,319)	(158,912)
Operating expenses	-	-	1,991	842,463	-
Interest on bonds and notes	-	-	2,467,880	-	131,263
Loan income	-	(328,822)	(2,002,815)	(809,741)	(272,017)
Amortization of bond and note issuance expense	-	-	26,058	-	100,156
Net change in other assets and other liabilities	(1,059,964)	-	-	-	-
Net cash (used) by operating activities	<u>\$ (1,633,129)</u>	<u>-</u>	<u>(3,558)</u>	<u>(108,617)</u>	<u>(43,622)</u>

See accompanying notes to financial statements.



Trusteed Funds

Fresh Water Fund (Notes 6, 7, 8 & 9)	Refunding Fund (Note 10)	Safe Water Refunding Fund (Notes 11, 12 & 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18, 19,20,21,22 & 23)	Drinking Water Assistance Fund (Notes 24 & 25)	Total Combining 2002
-	-	-	-	-	400,998	2,192,599
(122,267)	(6,293)	(25,980)	(58,631)	(4,438,381)	(2,962,506)	(9,981,207)
-	-	-	-	-	-	(1,213,378)
<u>(122,267)</u>	<u>(6,293)</u>	<u>(25,980)</u>	<u>(58,631)</u>	<u>(4,438,381)</u>	<u>(2,561,508)</u>	<u>(9,001,986)</u>
2,146,126,989	117,767,655	204,233,753	796,769,314	9,735,430,649	139,455,436	14,361,994,053
(2,214,506,395)	(114,904,471)	(211,426,668)	(787,975,282)	(9,759,429,846)	(213,083,742)	(14,510,148,909)
3,604,449	379,830	650,377	2,737,877	12,147,437	1,099,338	25,778,370
18,333,277	2,500,782	12,540,897	24,682,573	48,518,533	3,363,258	112,628,742
18,015,776	10,343,674	13,362,762	23,373,620	67,129,018	3,437,056	155,995,329
(58,196,525)	(147,190)	-	(1,948,822)	(206,254,697)	(30,514,849)	(339,411,798)
<u>(86,622,429)</u>	<u>15,940,280</u>	<u>19,361,121</u>	<u>57,639,280</u>	<u>(102,458,906)</u>	<u>(96,243,503)</u>	<u>(193,164,213)</u>
(12,849,796)	(1,849,419)	(5,895,260)	(12,657,620)	(37,752,216)	(2,383,232)	(76,017,213)
111,586,968	-	-	216,612,057	204,531,514	91,799,135	632,504,674
(897,347)	-	-	(1,535,213)	(1,651,525)	(796,474)	(4,983,758)
(9,085,000)	(11,235,000)	(31,300,000)	(249,003,584)	(116,040,000)	(15,640,000)	(440,888,584)
-	-	-	-	59,292,959	26,153,960	85,446,919
2,599	-	(249,306)	4,045,649	(3,012,394)	161,703	744,680
<u>(1,197,020)</u>	<u>(2,999,836)</u>	<u>12,841,925</u>	<u>(15,065,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>87,560,404</u>	<u>(16,084,255)</u>	<u>(24,602,641)</u>	<u>(57,603,921)</u>	<u>105,368,338</u>	<u>99,295,092</u>	<u>196,806,718</u>
815,708	(150,268)	(5,267,500)	(23,272)	(1,528,949)	490,081	(5,359,481)
995,839	423,046	5,552,536	3,754,992	7,966,167	431,593	19,495,651
<u>1,811,547</u>	<u>272,778</u>	<u>285,036</u>	<u>3,731,720</u>	<u>6,437,218</u>	<u>921,674</u>	<u>14,136,170</u>
10,245,308	499,959	3,615,014	9,338,660	23,102,484	130,125	50,376,342
(3,517,202)	(267,070)	(560,065)	(2,692,895)	(10,844,614)	(1,194,452)	(23,406,468)
31,586	(1)	1	(1,993)	3	-	874,050
12,673,269	1,829,146	9,033,395	17,247,506	36,524,860	2,569,400	82,476,719
(19,757,727)	(2,139,816)	(12,412,925)	(24,218,675)	(54,051,487)	(4,105,045)	(120,099,070)
202,499	71,489	298,600	268,766	830,373	46,025	1,843,966
-	-	-	-	-	(7,561)	(1,067,525)
<u>(122,267)</u>	<u>(6,293)</u>	<u>(25,980)</u>	<u>(58,631)</u>	<u>(4,438,381)</u>	<u>(2,561,508)</u>	<u>(9,001,986)</u>

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

December 31, 2002

### (1) AUTHORIZING LEGISLATION, REPORTING ENTITY, DESCRIPTIONS OF PROGRAMS AND FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

#### *Authorizing Legislation*

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

#### *Reporting Entity*

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

#### *Programs*

The Authority has established the following programs:

#### *Local Communities*

The Authority has established financing programs to provide loans to local communities in the State of Ohio for the construction of sewage and related water treatment facilities. These programs are accounted for in various funds, which are described in the following paragraphs. These loans provide for the financing of project construction costs. The federal government's share of costs (federal grants) is secured and assigned by the local community to the Authority. The local community agrees to pay to the Authority its share of project costs plus any costs ineligible for federal reimbursement over a period of 5 to 40 years, plus interest. The underlying project serves as collateral for the loan. The Authority's initial funding of the program came from a \$100,000,000 appropriation, all of which has been designated for use, from the State of Ohio. Subsequent funding of this program came from issuance by the Authority of bonds and notes.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### ***Industrial***

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 26. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

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

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

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

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

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

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

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

All payments received from LGAs for project costs, interest, and maturities of investments are deposited in the accounts of the Refunding Fund for payment of the Water Development Revenue Refunding Bonds—1992 Clean Water Series.

**(c) Community Assistance Fund**

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

Construction costs may be reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the construction costs is paid by the LGA under the terms of installment contracts over periods of 10 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 from a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided through 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. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

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

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

**(e) Other Projects Fund – Endowment Grant**

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

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

**(f) Other Projects Fund – Solid Waste**

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The purpose of the account is to provide financing to local governments for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects and landfills. Additional funding has been provided through monetary transfers from the Pure Water Refunding Fund.

The balance of the construction costs is paid by the solid waste facilities under terms of installment contracts over 12 years with interest at 5.70%.

**(g) *Other Projects Fund – Local Economic Development***

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

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

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 5 to 20 years with interest rates of 1.00 % to 6.62%.

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

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

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

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

As of December 31, 2002, the Authority has approved \$2,834,372 in assistance to fourteen communities for damage caused by flooding in Ohio.

**(j) Other Projects Fund – Dam Safety**

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

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety linked deposit program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2002 was \$1,635,993.

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

The Lake Erie Soil Erosion Account was established during 2000 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$10,000,000 transfer from the 1995 Fresh Water Account.

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

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2002, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

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

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

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

The loans to the local governments are to be repaid under terms of installment contracts with interest at 2%. As of December 31, 2002, one loan has been awarded from this account in the amount of \$200,000 over 30 years with interest at 2.00%.

**(m) Rural Utility Services Fund**

The Rural Utility Services Fund was established during 1996 by a resolution of the Authority and is administered by a Trustee. Initial funding for the fund was provided by a \$2,800,150 transfer from the Pure Water Refunding Fund. Additional funding was provided by the proceeds of the

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

Adjustable Rate Water Development Revenue Notes— RUS Loan Advance Series 1996-A, RD Loan Advance Series 1998-A, RD Loan Advance Series 1999-A, RD Loan Advance Series 2000-A, RD Loan Advance Series 2001-A, RD Loan Advance Series 2002-A and monetary transfers from the 1995 Fresh Water Account.

The purpose of these funds is to provide interim loans to local governments to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 2.26% to 3.96%.

### **(n) Fresh Water Fund**

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

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

The balance of construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 4.34% to 7.38%.

### **(o) Refunding Fund**

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

The Refunding Fund was established to provide additional funding necessary for the construction of LGA projects in addition to those financed by the State appropriation, referred to previously. Similar to the Working Capital Fund, certain project costs financed were reimbursed by federal grants in amounts up to 75% of the total eligible construction costs. The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 16.5 to 40 years with interest rates of 5.25% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

Similar to the Refunding Fund and the Working Capital Fund, certain project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is paid by the LGA under terms of installment contracts over periods of 18 to 25 years with interest rates of 7.11% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

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

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

Similar to the Refunding Fund, the Safe Water Refunding Fund and the Working Capital Fund, certain financed project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is repaid by the LGA under terms of installment contracts over periods of 5 to 25 years with interest rates of 4.65% to 9.48%. LGA repayments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

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

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

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

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



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

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

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

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2002 was \$8,726,350.

**(s) *Drinking Water Assistance Fund***

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

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

Initial funding for the Drinking Water Assistance Fund was provided by a 1998 U.S. Environmental Protection Agency capitalization grant in the amount of \$43,073,000, with a required state match contribution of \$8,614,600. Additional grant funding has been awarded as detailed in the following table:

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Year Awarded	Capitalization Grant	State Match
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

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

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

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

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB pronouncements as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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

#### ***(b) Cash and Cash Equivalents***

Cash and cash equivalents include amounts on deposit with Trustees and petty cash, as defined in GASB Statement No. 9 for the purpose of the Statement of Cash Flows.

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

#### ***(c) Investments***

With the exception of money market investments, participating interest-earning investment contracts, nonnegotiable certificates of deposit, and holdings in the State Treasury Asset Reserve of Ohio

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## Notes to Financial Statements

(STAROhio) investment pool, which is managed by the State Treasurer's office, investments are carried at fair value, which includes accrued interest receivable. STAROhio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940, which requires investments in the 2a7-like pool to be reported at amortized cost (which approximates fair value). Accordingly, the Authority reports money market investments, participating interest-earning investment contracts, nonnegotiable certificates of deposit, and holdings in STAROhio at amortized cost plus accrued interest receivable.

The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreement within the Pure Water Refunding Fund, see Notes 14 and 16.

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

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2002 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year. Intrafund due to and due from amounts are eliminated from the combining balance sheet for accounting purposes.

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

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

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

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

**(g) *Interfund Transfers/Net Assets***

The Authority reports interfund transactions when incurred, as follows:

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

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

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

**(h) *Capital Assets and Facilities***

Capital assets of the Authority include an office building with attached garage, two parking lots, office furniture, equipment and an automobile. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

two years. Such assets are recorded at historical cost. Depreciation is computed on the building and other capital assets only, using the straight line method with no salvage value. Current year depreciation expense is detailed below as ‘additions’ to accumulated depreciation.

Capital asset activity for the year ended December 31, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Building (useful life: 20-45 years)	–	887,524	–	887,524
Land	–	538,676	–	538,676
Other (useful life: 3-10 years)	1,208,250	79,755	(27,154)	1,260,851
Total capital assets	1,208,250	1,505,955	(27,154)	2,687,051
Less: accumulated depreciation-Building	–	(5,650)	–	(5,650)
Less: accumulated depreciation-Other	(669,575)	(248,843)	27,154	(891,264)
Capital assets, at depreciated cost	538,675	1,251,462	–	1,790,137

The Authority leases office space under an operating lease that expires in 2003. Lease expense is approximately \$110,000 per year and is accounted for in the Operating Fund.

**(i) Balance Sheet Classifications**

The Authority is required to classify its balance sheet, detailing current and noncurrent assets and liabilities and restricted and unrestricted net assets, as follows:

- Current: Due within one year from December 31, 2002
- Noncurrent: Due after December 31, 2003
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

**(j) Revenue Classifications**

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

- Operating revenue consists of loan income, investment income and administrative fees from projects
- Nonoperating other revenue
- Contributions from U.S. EPA

**(k) Risk Management**

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

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$1,900,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$7,000,000. The Authority also carries premium-based medical and dental coverage for all employees.

**(2) CASH AND INVESTMENTS**

The Authority's carrying amount and bank balance of deposits, as of December 31, 2002 was \$14,136,170. Of this amount, \$348,000 was covered by federal depository insurance, and \$13,788,170 was

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## Notes to Financial Statements

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, 2002 was \$10,362,346. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

The Authority's investments are categorized to give an indication of the level of custodial risk assumed by the entity as of December 31, 2002. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. Money market funds, guaranteed investment contracts and investments with STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) are not required to be categorized due to their nature.

	Carrying amount		<u>Fair value</u>
	Category		
	1	2	
Repurchase agreements	\$ -	46,688,191	46,688,191
U.S. government and agency securities	-	425,333,684	425,333,684
U.S. Treasury certificate of indebtedness state and local government securities	-	7,995,341	7,995,341
	\$ -	480,017,216	480,017,216
Investment in State Treasurer's Investment Pool (STAROhio)			445,330,879
Money market funds			102,812,501
Guaranteed investment contracts			43,976,515
Total investments			\$1,072,137,111
Nonnegotiable certificates of deposit			10,362,346
Total for reconciliation purposes			\$1,082,499,457

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

### (3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2002 consisted of the following:

		Due from		
		Operating	Fresh Water	Total
Due to	Fund			
	Pure Water Refunding	\$ -	23,776	\$ 23,776
	Drinking Water Assistance	140,257	-	140,257
	Total	\$ 140,257	23,776	\$ 164,033

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

As of December 31, 2002, there was \$46,640,000 of Water Development Revenue Bonds—Community Assistance Series 1997 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 6.00%	2003–2012	\$ 1,810,000	20,875,000	22,685,000
Term	5.250% to 5.375%	2013–2024	–	23,955,000	23,955,000
			1,810,000	44,830,000	46,640,000
	Less unamortized discount		–	(265,080)	(265,080)
			<u>\$ 1,810,000</u>	<u>44,564,920</u>	<u>46,374,920</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 2,421,112	1,810,000
2004	2,338,762	1,890,000
2005	2,252,325	1,975,000
2006	2,153,300	2,070,000
2007	2,027,150	2,200,000
2008–2012	8,199,286	12,740,000
2013–2017	4,887,618	12,195,000
2018–2022	2,012,803	9,075,000
2023–2024	182,884	2,685,000
Total	<u>\$ 26,475,240</u>	<u>46,640,000</u>

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

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

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

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

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

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

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

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

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

### (5) WATER DEVELOPMENT REVENUE NOTES—RURAL DEVELOPMENT SERIES 2002-A

As of December 31, 2002, there was \$6,980,000 of Water Development Revenue Notes—Rural Development Series 2002-A outstanding, which will mature on May 1, 2004. These notes have an adjustable interest rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2002 was 1.64%.

The debt service requirements to maturity are as follows:

Year Ending		Interest	Principal
December 31			
2003	\$	114,472	—
2004		38,157	6,980,000
Total	\$	152,629	6,980,000

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

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

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.

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## Notes to Financial Statements

- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2002, there is no accrued rebate liability for these notes.

**(6) WATER DEVELOPMENT REVENUE BONDS—1995 FRESH WATER SERIES**

As of December 31, 2002, there was \$11,190,000 of Water Development Revenue Bonds—1995 Fresh Water Series outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.40% to 6.25%	2003–2005	\$ 4,000,000	7,190,000	11,190,000
	Add unamortized premium		—	23,970	23,970
			\$ 4,000,000	7,213,970	11,213,970

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

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 576,541	4,000,000
2004	332,235	4,210,000
2005	101,790	2,980,000
Total	\$ 1,010,566	11,190,000

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

The bond resolution provides for seven separate accounts designated as the 1995 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Cross-Collateralization account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

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



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## Notes to Financial Statements

be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.

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

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

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

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

**(7) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER SERIES 1998**

As of December 31, 2002, there was \$129,365,000 of Water Development Revenue Bonds—Fresh Water Series 1998 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 5.25%	2003–2016	\$ 4,300,000	100,105,000	104,405,000
Term	5.125%	2017–2023	–	24,960,000	24,960,000
			4,300,000	125,065,000	129,365,000
	Add unamortized premium		–	844,700	844,700
			\$ 4,300,000	125,909,700	130,209,700

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$	6,556,337	4,300,000
2004		6,338,337	4,530,000
2005		6,114,962	6,055,000
2006		5,777,368	9,115,000
2007		5,327,575	9,560,000
2008–2012		18,640,812	48,530,000
2013–2017		8,864,222	27,720,000
2018–2022		2,708,306	18,245,000
2023		48,815	1,310,000
Total	\$	60,376,734	129,365,000

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## Notes to Financial Statements

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

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

The bond resolution provides for six separate accounts designated as the 1998 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2002, a rebate payable of \$1,010,312 has been accrued for these bonds.

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

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

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

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

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

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## Notes to Financial Statements

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

As of December 31, 2002, there was \$76,300,000 of Water Development Revenue Bonds—Fresh Water Refunding and Improvement Series 2001 A & B outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.00% to 5.50%	2003–2021	\$ 615,000	58,080,000	58,695,000
Term	5.000% to 5.375%	2012–2025	–	17,605,000	17,605,000
			615,000	75,685,000	76,300,000
	Add unamortized premium		–	5,148,768	5,148,768
	Less deferred loss		–	(4,782,561)	(4,782,561)
			\$ 615,000	76,051,207	76,666,207

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$	4,018,600	615,000
2004		3,993,800	640,000
2005		3,967,900	665,000
2006		3,941,000	695,000
2007		3,913,000	720,000
2008–2012		19,018,609	10,150,000
2013–2017		12,398,615	34,690,000
2018–2022		3,880,975	23,260,000
2023–2025		434,125	4,865,000
Total	\$	55,566,624	76,300,000

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

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

The bond resolution provides for six separate accounts designated as the 2001 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2001, (1) a sum which, when added to any available balance then on deposit in the

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Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.

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

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

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

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

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

As of December 31, 2002, there was \$106,160,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2002 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.125% to 5.250%	2003–2012	\$ 1,105,000	32,605,000	33,710,000
Term	4.750% to 5.375%	2013–2027	–	72,450,000	72,450,000
			1,105,000	105,055,000	106,160,000
	Add unamortized premium		–	4,660,845	4,660,845
			\$ 1,105,000	109,715,845	110,820,845

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$	5,119,918	1,105,000
2004		5,066,893	2,910,000
2005		4,959,093	3,295,000
2006		4,839,768	3,500,000
2007		4,707,268	3,600,000
2008–2012		21,194,481	19,300,000
2013–2017		16,247,700	22,610,000
2018–2022		9,176,887	30,985,000
2023–2027		2,042,500	18,855,000
Total	\$	73,354,508	106,160,000

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

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

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### (10) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1992 CLEAN WATER SERIES

As of December 31, 2002, there was \$24,755,000 of Water Development Revenue Refunding Bonds—1992 Clean Water Series outstanding, as follows:

Series and Type	Interest Rate	Maturity	Current	Long-Term	Total
Serial	5.45% to 5.65%	2003–2007	\$ 7,255,000	12,445,000	19,700,000
Term	6.00%	2008–2016	–	5,055,000	5,055,000
			7,255,000	17,500,000	24,755,000
	Less unamortized discount		–	(87,732)	(87,732)
			\$ 7,255,000	17,412,268	24,667,268

Not included in the above amounts is \$10,650,000 of bonds remaining outstanding which the Authority defeased in 1985. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 1,299,120	7,255,000
2004	930,515	5,165,000
2005	664,476	3,595,000
2006	480,427	2,235,000
2007	365,026	1,450,000
2008–2012	865,050	4,420,000
2013–2016	36,450	635,000
Total	\$ 4,641,064	24,755,000

The term bonds are subject to mandatory redemption under a sinking fund requirement and are also subject to current redemption on June 1 and December 1 of each year at par, beginning June 1, 1993. Both the term and serial bonds are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2002, or on any interest payment thereafter at par plus accrued interest plus a premium of 2%, which diminishes to zero by December 1, 2004.

LGA reimbursement of project costs, including interest, financed by the Working Capital Fund and the Refunding Fund are pledged as security for the bonds.

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

The trustee transfers to the Debt Service account on the first day of each November all investment income paid to the Debt Service Reserve account.

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

**(11) WATER DEVELOPMENT REVENUE REFUNDING BONDS—SAFE WATER REFUNDING 1987 SERIES A & B**

As of December 31, 2002, there was \$22,875,000 of Water Development Revenue Refunding Bonds—Safe Water Refunding 1987 Series A & B outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Term	5.00%	2008–2009	\$ —	22,875,000	22,875,000
	Less unamortized discount		—	(2,802,910)	(2,802,910)
			\$ —	20,072,090	20,072,090

Not included in the above amounts is \$73,015,000 of bonds remaining outstanding which the Authority defeased in 1985. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 1,143,750	—
2004	1,143,750	—
2005	1,143,750	—
2006	1,143,750	—
2007	1,143,750	—
2008–2009	1,270,250	22,875,000
Total	\$ 6,989,000	22,875,000

The term bonds are subject to mandatory redemption, beginning June 1, 2008. The bonds maturing on December 1, 2012 are callable for optional redemption prior to maturity, in whole or in part, on June 1, 1997, or on any interest payment thereafter at par plus accrued interest. The bonds not maturing on December 1, 2012 are also callable for optional redemption prior to maturity, in whole or in part, on June 1, 1997, or on any interest payment thereafter at par plus accrued interest plus a premium of 3%, which diminished to zero by June 1, 2000.

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

The bond resolution provides for five separate accounts designated as Safe Water Refunding 1987 Series A&B Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, (1) a sum which when added to any available balance then on deposit in the Debt service account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.
- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to one-half of the average annual 1987 bond service charges remaining to be paid.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.



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## Notes to Financial Statements

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

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

As of December 31, 2002, there was \$14,723,061 of Water Development Revenue Refunding Bonds—1992 Safe Water Series outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Capital Appreciation	5.85% to 6.00%	2003–2005	\$ 6,287,929	8,435,132	14,723,061

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Principal</u>
2003	\$	6,530,000
2004		5,005,000
2005		4,550,000
Total	\$	<u>16,085,000</u>

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

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

The bond resolution provides for five separate accounts designated as 1992 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

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

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

As of December 31, 2002, there was \$71,505,000 of Water Development Revenue Refunding Bonds—1997 Safe Water Series outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 6.00%	2003–2007	\$ 12,245,000	59,260,000	71,505,000
	Add unamortized premium		–	1,297,873	1,297,873
	Less deferred loss		–	(2,904,340)	(2,904,340)
			\$ 12,245,000	57,653,533	69,898,533

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 3,688,215	12,245,000
2004	3,052,920	13,900,000
2005	2,376,050	13,430,000
2006	1,626,056	17,335,000
2007	659,250	14,595,000
Total	\$ 11,402,491	71,505,000

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

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

The bond resolution provides for five separate accounts designated as 1997 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on June 1, 1997, (1) a sum which, when added to any available balance then on deposit in the Debt service

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.

- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value of one-half the average annual service charges remaining to be paid on the outstanding 1997 Safe Water Refunding Bonds.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

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

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

As of December 31, 2002, there was \$78,895,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.75%	2003–2006	\$ 16,955,000	17,370,000	34,325,000
Term	5.50% to 6.00%	2007–2016	–	44,570,000	44,570,000
			16,955,000	61,940,000	78,895,000
	Less unamortized discount		–	(2,785,328)	(2,785,328)
			\$ 16,955,000	59,154,672	76,109,672

Not included in the above amounts is \$90,995,000 of bonds remaining outstanding which the Authority defeased in 1992 and 1999. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 4,048,706	16,955,000
2004	3,394,212	5,975,000
2005	3,052,375	5,810,000
2006	2,720,025	5,585,000
2007	2,396,125	5,665,000
2008–2012	8,427,787	22,320,000
2013–2016	1,767,287	16,585,000
Total	\$ 25,806,517	78,895,000

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## Notes to Financial Statements

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

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

The bond resolution provides for seven separate accounts designated as Pure Water Refunding Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Other Projects account and Rebate account. As of October 14, 2002, there is no accrued rebate liability for these bonds.

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

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

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

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

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

On February 2, 2000, the Authority entered into a five-year interest rate swap agreement for \$50,080,000 of its Pure Water Refunding and Improvement Series bonds. As a result of the agreement, which is dated February 2, 2000 and was to terminate on December 1, 2004, the Authority made interest payments to the counterparty, Morgan Stanley Capital Services Inc., based on the weekly BMA Municipal Bond Index and received payments from the counterparty at a fixed rate of 4.68%. On August 29, 2002, the Authority agreed to terminate the interest rate swap agreement in exchange for a swap termination payment of \$3,192,288 from the counterparty. As of August 29, 2002, the Authority had received net interest payments of \$1,943,997 from the counterparty.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

As of December 31, 2002, there was \$98,555,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding Series 2002A outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	1.75% to 5.00%	2003–2008	\$ 11,425,000	87,130,000	98,555,000
	Add unamortized premium		–	5,496,319	5,496,319
	Less deferred loss		–	(4,954,171)	(4,954,171)
			<u>\$ 11,425,000</u>	<u>87,672,148</u>	<u>99,097,148</u>

The Pure Water Refunding Series 2002A Bonds were issued to currently refund \$102,920,000 of the Pure Water Refunding and Improvement Series Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2002 in the amount of \$5,404,550, the Authority in effect reduced its aggregate debt service payments for a total economic gain of \$6,571,107.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 4,474,825	11,425,000
2004	3,755,387	22,955,000
2005	2,637,075	23,345,000
2006	1,469,825	13,890,000
2007	937,675	23,505,000
2008	85,875	3,435,000
Total	<u>\$ 13,360,662</u>	<u>98,555,000</u>

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

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

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing November 1, 2002, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

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

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

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

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

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

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	Variable	2006–2018	\$ 108,000,000
		Less deferred loss	<u>(7,622,384)</u>
			<u>\$ 100,377,616</u>

The Pure Water Refunding Series 2002B Bonds have an adjustable interest rate that is reset weekly at a rate determined by the remarketing agent. The rate for these notes at December 31, 2002 was 1.50%.

On December 1, 2002, the Authority entered into a sixteen-year interest rate swap agreement for \$108,000,000 of its Pure Water Refunding Series 2002B Bonds. As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from the counterparty at a rate equal to the Pure Water Refunding Series 2002B Bonds. The Authority will be exposed to variable rates if the counterparty defaults or if the swap is terminated. A termination of the swap agreement may result in the Authority making or receiving a termination payment. This agreement resulted from the execution of a swap option agreement dated December 4, 1998 that the Authority had with Bear Sterns Financial Products, Inc. (BSFP).

The Pure Water Refunding Series 2002B Bonds were issued to currently refund \$108,000,000 of the Pure Water Refunding and Improvement Series Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2002 in the amount of \$7,622,384, the Authority in effect reduced its aggregate debt service payments for a total economic gain of \$5,418,423.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

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

Year Ending December 31	Interest	Principal
2003	\$ 5,064,150	–
2004	4,914,000	–
2005	4,914,000	–
2006	4,914,000	7,900,000
2007	4,550,000	500,000
2008–2012	16,841,825	70,200,000
2013–2017	2,789,150	28,400,000
2018	34,125	1,000,000
Total	\$ 44,021,250	108,000,000

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

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

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

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

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

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

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

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

As of December 31, 2002, there was \$6,535,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1993 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.65% to 4.75%	2003–2004	\$ 3,340,000	3,195,000	6,535,000
	Less unamortized discount		–	(7,802)	(7,802)
			<u>\$ 3,340,000</u>	<u>3,187,198</u>	<u>6,527,198</u>

Not included in the above amounts is \$18,440,000 of bonds remaining outstanding which the Authority defeased in 2001. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

	<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
	2003	\$ 267,780	3,340,000
	2004	113,406	3,195,000
	Total	<u>\$ 381,186</u>	<u>6,535,000</u>

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be



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## Notes to Financial Statements

used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

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

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

As of December 31, 2002, there was \$27,365,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.20% to 6.50%	2003–2007	\$ 5,885,000	21,480,000	27,365,000
	Add unamortized premium		—	332,518	332,518
			<u>\$ 5,885,000</u>	<u>21,812,518</u>	<u>27,697,518</u>

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

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 1,554,425	5,885,000
2004	1,174,337	5,720,000
2005	805,625	5,525,000
2006	467,495	5,280,000
2007	195,835	4,955,000
Total	<u>\$ 4,197,717</u>	<u>27,365,000</u>

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

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

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The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, a rebate payable of \$232,314 has been accrued for these bonds.

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

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

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

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

As of December 31, 2002, there was \$66,725,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 2000 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.00% to 5.50%	2003–2021	\$	7,680,000	59,045,000	66,725,000
	Add unamortized premium			–	608,845	608,845
			\$	7,680,000	59,653,845	67,333,845

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## Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 3,502,318	7,680,000
2004	3,081,293	7,335,000
2005	2,684,056	6,860,000
2006	2,314,318	6,275,000
2007	1,978,544	5,570,000
2008–2012	5,988,756	18,930,000
2013–2017	2,299,224	10,725,000
2018–2021	342,575	3,350,000
Total	\$ 22,191,084	66,725,000

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, a rebate payable of \$997,430 has been accrued for these bonds.

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

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

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

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

As of December 31, 2002, there was \$53,590,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2001 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.50% to 5.25%	2003–2016	\$ 2,305,000	51,285,000	53,590,000
	Add unamortized premium		–	2,614,655	2,614,655
	Less deferred loss		–	(4,022,070)	(4,022,070)
			\$ 2,305,000	49,877,585	52,182,585

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 2,476,332	2,305,000
2004	2,397,232	2,120,000
2005	2,276,613	4,955,000
2006	2,068,095	4,545,000
2007	1,846,220	4,120,000
2008–2012	4,577,075	30,455,000
2013–2016	303,977	5,090,000
Total	\$ 15,945,544	53,590,000

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

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## Notes to Financial Statements

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

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

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

As of December 31, 2002, there was \$187,190,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1995 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.00% to 6.00%	2003–2015	\$ 7,770,000	179,420,000	187,190,000
	Less unamortized discount		–	(362,450)	(362,450)
			\$ 7,770,000	179,057,550	186,827,550

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Interest</u>	<u>Principal</u>
<u>December 31</u>		
2003	\$ 10,061,700	7,770,000
2004	9,577,200	9,015,000
2005	9,016,350	10,330,000
2006	8,386,959	11,640,000
2007	7,733,725	13,045,000
2008–2012	26,577,491	86,450,000
2013–2015	4,449,297	48,940,000
Total	\$ 75,802,722	187,190,000

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## Notes to Financial Statements

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

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

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

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## Notes to Financial Statements

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

As of December 31, 2002, there was \$194,280,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.30% to 5.50%	2003-2016	\$ 5,195,000	145,585,000	150,780,000
Term	5.125%	2016-2019	–	43,500,000	43,500,000
			5,195,000	189,085,000	194,280,000
	Less unamortized discount		–	(197,135)	(197,135)
			\$ 5,195,000	188,887,865	194,082,865

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 9,938,305	5,195,000
2004	9,688,800	5,970,000
2005	9,393,368	6,885,000
2006	9,045,875	7,850,000
2007	8,620,362	8,930,000
2008–2012	34,570,550	62,645,000
2013–2017	15,402,800	85,360,000
2018–2019	487,003	11,445,000
Total	\$ 97,147,063	194,280,000

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2002, there is no accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking

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

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

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

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

As of December 31, 2002, there was \$197,915,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2002 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.25%	2003–2023	\$ 5,140,000	192,775,000	197,915,000
	Add unamortized premium		–	4,141,991	4,141,991
			\$ 5,140,000	196,916,991	202,056,991

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 9,928,520	5,140,000
2004	9,833,670	–
2005	9,833,670	370,000
2006	9,815,970	995,000
2007	9,781,520	1,330,000
2008–2012	47,759,143	13,745,000
2013–2017	40,560,150	55,770,000
2018–2022	16,419,728	114,580,000
2023	149,625	5,985,000
Total	\$ 154,081,996	197,915,000

The bonds maturing on or after June 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, at par plus accrued interest.



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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2002, there is no accrued rebate liability for these bonds.

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

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

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

### (24) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2002

As of December 31, 2002, there was \$29,360,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002 outstanding, as follows:

<u>Series and Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2003–2021	\$	1,955,000	27,290,000	29,245,000
Term	5.000%	2022–2023		–	115,000	115,000
				1,955,000	27,405,000	29,360,000
	Add unamortized premium			–	44,037	44,037
			\$	1,955,000	27,449,037	29,404,037

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 1,165,856	1,955,000
2004	1,084,831	2,370,000
2005	1,014,256	2,300,000
2006	944,375	2,230,000
2007	871,871	2,150,000
2008–2012	3,142,881	9,520,000
2013–2017	1,365,806	6,585,000
2018–2022	213,750	2,235,000
2023	375	15,000
Total	\$ 9,804,001	29,360,000

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2002, there is no accrued rebate liability for these bonds.

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

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

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

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

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

As of December 31, 2002, there was \$60,000,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002 outstanding, as follows:

Series and Type	Interest Rate	Maturity	Current	Long-Term	Total
Serial	3.000% to 5.375%	2003–2013	\$ 385,000	18,695,000	19,080,000
Term	5.000% to 5.500%	2014–2023	–	40,920,000	40,920,000
			385,000	59,615,000	60,000,000
	Add unamortized premium		–	1,639,903	1,639,903
			\$ 385,000	61,254,903	61,639,903

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2003	\$ 2,990,412	385,000
2004	2,972,412	905,000
2005	2,943,912	1,070,000
2006	2,909,862	1,250,000
2007	2,865,768	1,450,000
2008–2012	13,249,178	10,965,000
2013–2017	9,822,196	19,365,000
2018–2022	3,352,275	23,690,000
2023	23,000	920,000
Total	\$ 41,129,015	60,000,000

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2002, there is no accrued rebate liability for these bonds.

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

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

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

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### (26) WATER 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 38 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, 2002, outstanding bonds and notes under this program are \$2,106,385,000.

### (27) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2002, 2001 and 2000 were approximately \$864,000, \$793,000 and \$736,000, respectively.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Revised Code also provides statutory authority for employee and employer contributions. In 2002, the employee and employer contribution rates were 8.50% and 13.31%, respectively, for all Authority employees. Total required employer contributions were approximately \$115,000 \$105,000 and \$78,000 for the years ending December 31, 2002, 2001 and 2000, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

#### ***Postretirement Healthcare***

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

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. The ORC provides statutory authority for employer contributions and requires public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer contribution to OPERS is set aside for the funding of postretirement healthcare. For the year ended December 31, 2002, that portion was 5.0% for all Authority employees.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

OPEB are advance-funded using entry-age, normal cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2000, included a rate of return on investments of 7.75 percent, an annual increase in total payroll for active employees of 4.75 percent compounded annually, and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Healthcare premiums were assumed to increase 4.75 percent annually.

Net assets available for payment of benefits at December 31, 2000 (the latest information available) were \$11.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14.3 billion and \$2.6 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation on depreciation on investments. The Authority's actuarially required and actual contributions for the OPERS healthcare plan was approximately \$43,000 for the year ending December 31, 2002, covering 19 participants.

### (28) COMMITMENTS

As of December 31, 2002, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 2,691,084
Rural Utility Services	7,305,900
Community Assistance	16,060,733
Fresh Water	72,225,295
Pure Water Refunding	58,771
Water Pollution Control Loan	289,456,065
Drinking Water Assistance	46,051,901
	<u>\$ 433,849,749</u>

Loan commitments consist of loan awards that have been encumbered by the Authority but not yet disbursed to the LGAs.

The Authority intends to meet these LGA commitments with currently available funds and grant commitments from the U.S. EPA.

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

### (29) TRANSFERS

Interfund transfers for the year ended December 31, 2002 consisted of the following:

Transfer to Operating from:		
Pure Water Refunding	\$	1,433,700
Transfer from Working Capital to:		
Refunding	\$	(1,351,386)
Transfers from Community Assistance to:		
Fresh Water		(1,232,978)
Pure Water Refunding		(4,425)
	\$	(1,237,403)
Transfers to (from) Other Projects from (to):		
Fresh Water		1,219,419
Rural Utility Services		(5,000,000)
	\$	(3,780,581)
Transfers to Rural Utility Services from:		
Other Projects		5,000,000
Pure Water Refunding		5,000,000
	\$	10,000,000
Transfers to (from) Fresh Water from (to):		
Community Assistance		1,232,978
Other Projects		(1,219,419)
Refunding		2,999,838
Safe Water Refunding		(8,271,924)
Pure Water Refunding		4,061,508
	\$	(1,197,019)
Transfers to (from) Refunding from (to):		
Working Capital		1,351,386
Fresh Water		(2,999,838)
	\$	(1,648,452)
Transfers to Safe Water Refunding from:		
Fresh Water		8,271,924
Pure Water Refunding		4,570,000
	\$	12,841,924
Transfers to (from) Pure Water Refunding from (to):		
Operating		(1,433,700)
Community Assistance		4,425
Rural Utility Services		(5,000,000)
Fresh Water		(4,061,508)
Safe Water Refunding		(4,570,000)
	\$	(15,060,783)
Total Transfers, net	\$	—

# OHIO WATER DEVELOPMENT AUTHORITY

## Notes to Financial Statements

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2002, the Authority made a one-time transfer of \$1,433,700 from the Pure Water Fund to the Operating Fund for the purchase of an office building. Additional one-time transfers of \$5,000,000 were made from the Other Projects Fund and the Pure Water Fund to the Rural Utility Services Fund to provide additional funding for this program, and from the Fresh Water Fund and the Pure Water Fund, \$12,440,000 and \$4,570,000, respectively, to the Safe Water Fund in order to call bonds.



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**OHIO WATER DEVELOPMENT AUTHORITY  
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	Unallocated Reserve	Endowment Grant	Solid Waste
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ -	-	-
Investments	19,773,504	6,780,791	13,119,656
Loan receivables	-	-	700,319
Total current assets	19,773,504	6,780,791	13,819,975
Noncurrent assets:			
Investments	4,000,000	-	3,000,000
Loan receivables	-	-	6,775,166
Total noncurrent assets	4,000,000	-	9,775,166
Total assets	\$ 23,773,504	6,780,791	23,595,141
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	-	-	210,799
Total liabilities	-	-	210,799
<u>Net Assets</u>			
Restricted for debt and grant covenants	-	-	-
Unrestricted	23,773,504	6,780,791	23,384,342
Total net assets	23,773,504	6,780,791	23,384,342
Total liabilities and net assets	\$ 23,773,504	6,780,791	23,595,141

Trusteed Fund

Local Economic Development	Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Fund Total
48,000	5,000	-	-	-	4,186	57,186
16,157,856	1,852,365	3,666,546	10,023,196	10,828,558	5,090,943	87,293,415
<u>585,513</u>	<u>146,585</u>	<u>-</u>	<u>-</u>	<u>14,764</u>	<u>2,473</u>	<u>1,449,654</u>
<u>16,791,369</u>	<u>2,003,950</u>	<u>3,666,546</u>	<u>10,023,196</u>	<u>10,843,322</u>	<u>5,097,602</u>	<u>88,800,255</u>
17,398,332	-	1,500,000	1,631,262	-	-	27,529,594
<u>11,628,010</u>	<u>1,353,711</u>	<u>-</u>	<u>-</u>	<u>346,185</u>	<u>110,951</u>	<u>20,214,023</u>
<u>29,026,342</u>	<u>1,353,711</u>	<u>1,500,000</u>	<u>1,631,262</u>	<u>346,185</u>	<u>110,951</u>	<u>47,743,617</u>
<u><u>45,817,711</u></u>	<u><u>3,357,661</u></u>	<u><u>5,166,546</u></u>	<u><u>11,654,458</u></u>	<u><u>11,189,507</u></u>	<u><u>5,208,553</u></u>	<u><u>136,543,872</u></u>
-	43,800	-	-	-	115,175	369,774
-	<u>43,800</u>	-	-	-	<u>115,175</u>	<u>369,774</u>
-	-	-	-	-	-	-
<u>45,817,711</u>	<u>3,313,861</u>	<u>5,166,546</u>	<u>11,654,458</u>	<u>11,189,507</u>	<u>5,093,378</u>	<u>136,174,098</u>
<u>45,817,711</u>	<u>3,313,861</u>	<u>5,166,546</u>	<u>11,654,458</u>	<u>11,189,507</u>	<u>5,093,378</u>	<u>136,174,098</u>
<u><u>45,817,711</u></u>	<u><u>3,357,661</u></u>	<u><u>5,166,546</u></u>	<u><u>11,654,458</u></u>	<u><u>11,189,507</u></u>	<u><u>5,208,553</u></u>	<u><u>136,543,872</u></u>

**OHIO WATER DEVELOPMENT AUTHORITY  
OTHER PROJECTS FUND**

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

Year ended December 31, 2002

	Trusted Fund		
	Unallocated Reserve	Endowment Grant	Solid Waste
Operating revenues:			
Loan income	\$ -	-	453,604
Investment income	468,290	162,978	335,532
Total operating revenues	468,290	162,978	789,136
Operating expenses:			
Other	37,591	849,693	14,298
Total operating expenses	37,591	849,693	14,298
Operating income (loss)	430,699	(686,715)	774,838
Transfers in (out), net	1,252,000	-	-
Change in net assets	1,682,699	(686,715)	774,838
Net assets at beginning of year	22,090,805	7,467,506	22,609,504
Net assets at end of year	\$ 23,773,504	6,780,791	23,384,342

Trusteed Fund

Local Economic Development	Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Fund Total
339,152	-	-	-	15,248	1,737	809,741
<u>998,337</u>	<u>26,106</u>	<u>107,259</u>	<u>233,488</u>	<u>191,963</u>	<u>90,366</u>	<u>2,614,319</u>
<u>1,337,489</u>	<u>26,106</u>	<u>107,259</u>	<u>233,488</u>	<u>207,211</u>	<u>92,103</u>	<u>3,424,060</u>
<u>26,212</u>	<u>1,000</u>	<u>4,771</u>	<u>14,302</u>	<u>1,713</u>	<u>1,500</u>	<u>951,080</u>
<u>26,212</u>	<u>1,000</u>	<u>4,771</u>	<u>14,302</u>	<u>1,713</u>	<u>1,500</u>	<u>951,080</u>
<u>1,311,277</u>	<u>25,106</u>	<u>102,488</u>	<u>219,186</u>	<u>205,498</u>	<u>90,603</u>	<u>2,472,980</u>
<u>(5,000,000)</u>	<u>-</u>	<u>(32,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,780,581)</u>
<u>(3,688,723)</u>	<u>25,106</u>	<u>69,907</u>	<u>219,186</u>	<u>205,498</u>	<u>90,603</u>	<u>(1,307,601)</u>
<u>49,506,434</u>	<u>3,288,755</u>	<u>5,096,639</u>	<u>11,435,272</u>	<u>10,984,009</u>	<u>5,002,775</u>	<u>137,481,699</u>
<u>45,817,711</u>	<u>3,313,861</u>	<u>5,166,546</u>	<u>11,654,458</u>	<u>11,189,507</u>	<u>5,093,378</u>	<u>136,174,098</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	Unallocated Reserve	Endowment Grant	Solid Waste
Operating activities:			
Operating expenses	\$ (37,591)	(7,230)	(14,298)
Net cash (used) by operating activities	(37,591)	(7,230)	(14,298)
Investing activities:			
Proceeds from maturity or sale of investments	111,186,172	5,887,335	194,802,995
Purchase of investments	(113,280,385)	(5,236,705)	(195,081,047)
Interest received on investments, net of purchased interest	879,804	199,063	385,605
Interest received on projects	-	-	492,153
Principal collected on projects	-	-	6,694,482
Payment for construction of projects	-	(842,463)	(7,279,890)
Net cash provided (used) by investing activities	(1,214,409)	7,230	14,298
Noncapital financing activities:			
Transfers (to) from other funds	1,252,000	-	-
Net cash provided (used) by noncapital financing activities	1,252,000	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	-	-
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	430,699	(686,715)	774,838
Adjustments:			
Investment income	(468,290)	(162,978)	(335,532)
Operating expenses	-	842,463	-
Loan income	-	-	(453,604)
Net cash (used) by operating activities	\$ (37,591)	(7,230)	(14,298)

Trusted Fund

Local Economic Development	Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Fund Total
(26,212)	(1,000)	(4,771)	(14,302)	(1,713)	(1,500)	(108,617)
(26,212)	(1,000)	(4,771)	(14,302)	(1,713)	(1,500)	(108,617)
53,676,814	545,863	35,625,087	76,877	5,089,264	5,002,194	411,892,601
(52,030,478)	(440,891)	(35,729,212)	(302,362)	(5,219,529)	(5,086,926)	(412,407,535)
1,253,723	27,361	141,476	239,787	206,183	86,932	3,419,934
371,639	-	-	-	15,173	1,736	880,701
2,604,055	420,391	-	-	11,906	2,448	9,733,282
(827,426)	(548,724)	-	-	(101,285)	(698)	(9,600,486)
5,048,327	4,000	37,351	14,302	1,712	5,686	3,918,497
(5,000,000)	-	(32,581)	-	-	-	(3,780,581)
(5,000,000)	-	(32,581)	-	-	-	(3,780,581)
22,115	3,000	(1)	-	(1)	4,186	29,299
25,885	2,000	1	-	1	-	27,887
48,000	5,000	-	-	-	4,186	57,186
1,311,277	25,106	102,488	219,186	205,498	90,603	2,472,980
(998,337)	(26,106)	(107,259)	(233,488)	(191,963)	(90,366)	(2,614,319)
-	-	-	-	-	-	842,463
(339,152)	-	-	-	(15,248)	(1,737)	(809,741)
(26,212)	(1,000)	(4,771)	(14,302)	(1,713)	(1,500)	(108,617)

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2001
<u>Assets</u>			
Noncurrent assets:			
Restricted note covenant assets:			
Investments	\$ 149,420	562,787	48,727
Loan receivables	466,375	5,333,767	-
Total restricted assets	615,795	5,896,554	48,727
Deferred note issuance expense	-	-	-
Total assets	\$ 615,795	5,896,554	48,727
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	-
Accounts payable	-	-	4,833
Total current liabilities payable from restricted assets	-	-	4,833
Noncurrent liabilities:			
Water Development Revenue Notes:			
Rural Development Series 2002-A	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	-	4,833
 <u>Net Assets</u>			
Restricted for debt and grant covenants	615,795	5,896,554	43,894
Unrestricted	-	-	-
Total net assets	615,795	5,896,554	43,894
Total liabilities and net assets	\$ 615,795	5,896,554	48,727



<u>Trusteed Fund</u>	
<u>Rural Development 2002</u>	<u>Fund Total</u>
9,942,639	10,703,573
<u>9,061,114</u>	<u>14,861,256</u>
19,003,753	25,564,829
<u>66,047</u>	<u>66,047</u>
<u>19,069,800</u>	<u>25,630,876</u>
7,129	7,129
<u>1,089,517</u>	<u>1,094,350</u>
1,096,646	1,101,479
<u>6,980,000</u>	<u>6,980,000</u>
<u>6,980,000</u>	<u>6,980,000</u>
<u>8,076,646</u>	<u>8,081,479</u>
10,993,154	17,549,397
-	-
<u>10,993,154</u>	<u>17,549,397</u>
<u>19,069,800</u>	<u>25,630,876</u>

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

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

Year ended December 31, 2002

	Trusteed Fund		
	Rural Development	Rural Development	Rural Development
	1999	2000	2001
Operating revenues:			
Loan income	\$ 128,208	117,312	-
Investment income	2,900	44,403	5,612
Total operating revenues	131,108	161,715	5,612
Operating expenses:			
Interest on notes	-	-	45,788
Amortization of note issuance expense	-	-	63,004
Other	21,264	5,344	5,300
Total operating expenses	21,264	5,344	114,092
Operating income (loss)	109,844	156,371	(108,480)
Nonoperating other revenues (expenses)	-	-	(4,833)
Income (loss) before transfers	109,844	156,371	(113,313)
Transfers in (out), net	(5,830,869)	(1,020,488)	5,856,356
Change in net assets	(5,721,025)	(864,117)	5,743,043
Net assets at beginning of year	6,336,820	6,760,671	(5,699,149)
Net assets at end of year	\$ 615,795	5,896,554	43,894

<u>Trusteed Fund</u>	
<u>Rural Development 2002</u>	<u>Fund Total</u>
26,497	272,017
<u>105,997</u>	<u>158,912</u>
132,494	430,929
85,475	131,263
37,152	100,156
<u>11,714</u>	<u>43,622</u>
134,341	275,041
<u>(1,847)</u>	<u>155,888</u>
-	(4,833)
<u>(1,847)</u>	<u>151,055</u>
<u>10,995,001</u>	<u>10,000,000</u>
10,993,154	10,151,055
-	7,398,342
<u>10,993,154</u>	<u>17,549,397</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2001
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating activities:			
Operating expenses	\$ (21,264)	(5,344)	(5,300)
Net cash (used) by operating activities	<u>(21,264)</u>	<u>(5,344)</u>	<u>(5,300)</u>
Investing activities:			
Proceeds from maturity or sale of investments	36,468	4,580,570	6,905,267
Purchase of investments	(8,053)	(110,364)	(6,854,529)
Interest received on investments, net of purchased interest	3,053	55,086	5,860
Principal collected on projects	-	26,394	6,529,778
Payment for construction of projects	<u>(7,704)</u>	<u>(4,149,082)</u>	<u>-</u>
Net cash provided (used) by investing activities	23,764	402,604	6,586,376
Noncapital financing activities:			
Note issuance expense	-	-	-
Proceeds of notes	-	-	-
Interest paid on notes, net of purchased interest	-	-	(52,654)
Redemption of notes	-	-	(5,855,000)
Other	-	(78,183)	-
Transfers (to) from other funds	<u>(2,500)</u>	<u>(319,077)</u>	<u>(673,422)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,500)</u>	<u>(397,260)</u>	<u>(6,581,076)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	109,844	156,371	(108,480)
Adjustments:			
Investment income	(2,900)	(44,403)	(5,612)
Interest on notes	-	-	45,788
Loan income	(128,208)	(117,312)	-
Amortization of note issuance expense	<u>-</u>	<u>-</u>	<u>63,004</u>
Net cash (used) by operating activities	<u>\$ (21,264)</u>	<u>(5,344)</u>	<u>(5,300)</u>

Trusted Fund

Rural Development 2002	Fund Total
(11,714)	(43,622)
(11,714)	(43,622)
21,215,075	32,737,380
(31,145,695)	(38,118,641)
93,980	157,979
-	6,556,172
(7,945,100)	(12,101,886)
(17,781,740)	(10,768,996)
(103,199)	(103,199)
7,975,000	7,975,000
(78,346)	(131,000)
(995,000)	(6,850,000)
-	(78,183)
10,994,999	10,000,000
17,793,454	10,812,618
-	-
-	-
-	-
(1,847)	155,888
(105,997)	(158,912)
85,475	131,263
(26,497)	(272,017)
37,152	100,156
(11,714)	(43,622)

**OHIO WATER DEVELOPMENT AUTHORITY  
FRESH WATER FUND**

Schedule of Combining Balance Sheets

December 31, 2002

	Trusted Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 715,363	465,596	630,583
Investments	31,955,355	48,079,696	32,963,143
Loan receivables	112,739,512	98,892,877	136,156,498
Total restricted assets	145,410,230	147,438,169	169,750,224
Due from other funds	-	-	26,376
Other receivables	-	209,626	-
Deferred bond issuance expense	-	247,647	1,353,587
Total assets	\$ 145,410,230	147,895,442	171,130,187
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	-	26,376	-
Accrued interest	-	53,188	550,778
Accounts payable	2,159,293	783,295	3,297,598
Water Development Revenue Bonds:			
Fresh Water 1995 - 2002 Series	-	4,000,000	4,300,000
Total current liabilities payable from restricted assets	2,159,293	4,862,859	8,148,376
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Fresh Water 1995 - 2002 Series, net of premiums and deferred loss	-	7,213,970	125,909,700
Total noncurrent liabilities	-	7,213,970	125,909,700
Total liabilities	2,159,293	12,076,829	134,058,076
 <u>Net Assets</u>			
Restricted for debt and grant covenants	143,250,937	135,818,613	37,072,111
Unrestricted	-	-	-
Total net assets	143,250,937	135,818,613	37,072,111
Total liabilities and net assets	\$ 145,410,230	147,895,442	171,130,187

Trusteed Fund		
2001 Fresh Water	2002 Fresh Water	Fund Total
3	2	1,811,547
19,156,720	102,017,442	234,172,356
<u>12,259,263</u>	<u>10,281,643</u>	<u>370,329,793</u>
<u>31,415,986</u>	<u>112,299,087</u>	<u>606,313,696</u>
-	23,776	50,152
-	-	209,626
871,679	879,753	3,352,666
<u>32,287,665</u>	<u>113,202,616</u>	<u>609,926,140</u>
-	-	26,376
335,392	426,660	1,366,018
1,326,927	1,097,345	8,664,458
<u>615,000</u>	<u>1,105,000</u>	<u>10,020,000</u>
2,277,319	2,629,005	20,076,852
<u>76,051,207</u>	<u>109,715,845</u>	<u>318,890,722</u>
76,051,207	109,715,845	318,890,722
<u>78,328,526</u>	<u>112,344,850</u>	<u>338,967,574</u>
(46,040,861)	857,766	270,958,566
-	-	-
<u>(46,040,861)</u>	<u>857,766</u>	<u>270,958,566</u>
<u>32,287,665</u>	<u>113,202,616</u>	<u>609,926,140</u>

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

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

Year ended December 31, 2002

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating revenues:			
Loan income	\$ 6,744,357	5,261,697	7,429,729
Investment income	744,659	957,503	882,882
Total operating revenues	<u>7,489,016</u>	<u>6,219,200</u>	<u>8,312,611</u>
Operating expenses:			
Interest on bonds	-	735,138	6,505,060
Amortization of bond issuance expense	-	82,549	64,456
Other	15,102	55,326	66,088
Total operating expenses	<u>15,102</u>	<u>873,013</u>	<u>6,635,604</u>
Operating income (loss)	<u>7,473,914</u>	<u>5,346,187</u>	<u>1,677,007</u>
Nonoperating other revenues (expenses)	-	209,626	1,004,516
Income (loss) before transfers	<u>7,473,914</u>	<u>5,555,813</u>	<u>2,681,523</u>
Transfers in (out), net	<u>(10,604,524)</u>	<u>1,908,585</u>	<u>1,017,594</u>
Change in net assets	<u>(3,130,610)</u>	<u>7,464,398</u>	<u>3,699,117</u>
Net assets at beginning of year	<u>146,381,547</u>	<u>128,354,215</u>	<u>33,372,994</u>
Net assets at end of year	<u>\$ 143,250,937</u>	<u>135,818,613</u>	<u>37,072,111</u>



Trusteed Fund		
2001 Fresh Water	2002 Fresh Water	Fund Total
300,188	21,756	19,757,727
414,263	517,895	3,517,202
<u>714,451</u>	<u>539,651</u>	<u>23,274,929</u>
3,925,000	1,508,071	12,673,269
37,899	17,595	202,499
13,583	3,754	153,853
<u>3,976,482</u>	<u>1,529,420</u>	<u>13,029,621</u>
<u>(3,262,031)</u>	<u>(989,769)</u>	<u>10,245,308</u>
-	-	1,214,142
<u>(3,262,031)</u>	<u>(989,769)</u>	<u>11,459,450</u>
4,633,791	1,847,535	(1,197,019)
1,371,760	857,766	10,262,431
<u>(47,412,621)</u>	-	<u>260,696,135</u>
<u>(46,040,861)</u>	<u>857,766</u>	<u>270,958,566</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating activities:			
Operating expenses	\$ (15,102)	(33,020)	(56,808)
Net cash (used) by operating activities	(15,102)	(33,020)	(56,808)
Investing activities:			
Proceeds from maturity or sale of investments	21,306,473	362,640,833	176,738,016
Purchase of investments	(11,407,262)	(366,165,246)	(159,737,381)
Interest received on investments, net of purchased interest	781,660	990,115	927,842
Interest received on projects	6,488,527	5,951,385	5,885,909
Principal collected on projects	4,382,365	3,918,847	9,665,377
Payment for construction of projects	(10,569,363)	(4,413,289)	(23,362,540)
Net cash provided (used) by investing activities	10,982,400	2,922,645	10,117,223
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(816,073)	(6,763,588)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	(3,775,000)	(4,095,000)
Other	-	26,375	-
Transfers (to) from other funds	(10,604,524)	1,908,583	1,017,595
Net cash provided (used) by noncapital financing activities	(10,604,524)	(2,656,115)	(9,840,993)
Net increase (decrease) in cash and cash equivalents	362,774	233,510	219,422
Cash and cash equivalents at beginning of year	352,589	232,086	411,161
Cash and cash equivalents at end of year	\$ 715,363	465,596	630,583
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,473,914	5,346,187	1,677,007
Adjustments:			
Investment income	(744,659)	(957,503)	(882,882)
Operating expenses	-	22,306	9,280
Interest on bonds	-	735,138	6,505,060
Loan income	(6,744,357)	(5,261,697)	(7,429,729)
Amortization of bond issuance expense	-	82,549	64,456
Net cash (used) by operating activities	\$ (15,102)	(33,020)	(56,808)

Trusteed Fund		
2001 Fresh Water	2002 Fresh Water	Fund Total
(13,583)	(3,754)	(122,267)
<u>(13,583)</u>	<u>(3,754)</u>	<u>(122,267)</u>
82,048,761	1,503,392,906	2,146,126,989
(71,849,863)	(1,605,346,643)	(2,214,506,395)
450,642	454,190	3,604,449
7,456	-	18,333,277
49,187	-	18,015,776
<u>(10,688,791)</u>	<u>(9,162,542)</u>	<u>(58,196,525)</u>
17,392	(110,662,089)	(86,622,429)
(4,042,600)	(1,227,535)	(12,849,796)
-	111,586,968	111,586,968
-	(897,347)	(897,347)
(595,000)	(620,000)	(9,085,000)
-	(23,776)	2,599
<u>4,633,791</u>	<u>1,847,535</u>	<u>(1,197,020)</u>
<u>(3,809)</u>	<u>110,665,845</u>	<u>87,560,404</u>
-	2	815,708
3	-	995,839
<u>3</u>	<u>2</u>	<u>1,811,547</u>
(3,262,031)	(989,769)	10,245,308
(414,263)	(517,895)	(3,517,202)
-	-	31,586
3,925,000	1,508,071	12,673,269
(300,188)	(21,756)	(19,757,727)
37,899	17,595	202,499
<u>(13,583)</u>	<u>(3,754)</u>	<u>(122,267)</u>

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	272,778	272,778
Investments	291,862	9,917,711	10,209,573
Loan receivables	28,603,307	-	28,603,307
Total restricted assets	28,895,169	10,190,489	39,085,658
Deferred bond issuance expense	1,000,848	-	1,000,848
Total assets	\$ 29,896,017	10,190,489	40,086,506
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	116,389	116,389
Water Development Revenue Refunding Bonds:			
1992 Clean Water Series	7,255,000	-	7,255,000
Total current liabilities payable from restricted assets	7,255,000	116,389	7,371,389
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
1992 Clean Water Series, net of discount	17,412,268	-	17,412,268
Total noncurrent liabilities	17,412,268	-	17,412,268
Total liabilities	24,667,268	116,389	24,783,657
<u>Net Assets</u>			
Restricted for debt and grant covenants	5,228,749	10,074,100	15,302,849
Unrestricted	-	-	-
Total net assets	5,228,749	10,074,100	15,302,849
Total liabilities and net assets	\$ 29,896,017	10,190,489	40,086,506

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

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

Year ended December 31, 2002

	Trusted Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating revenues:			
Loan income	\$ 2,139,816	-	2,139,816
Investment income	11,406	255,664	267,070
Total operating revenues	2,151,222	255,664	2,406,886
Operating expenses:			
Interest on bonds	29,817	1,799,329	1,829,146
Amortization of bond issuance expense	71,489	-	71,489
Other	(1)	6,293	6,292
Total operating expenses	101,305	1,805,622	1,906,927
Operating income (loss)	2,049,917	(1,549,958)	499,959
Nonoperating other revenues (expenses)	45,318	-	45,318
Income (loss) before transfers	2,095,235	(1,549,958)	545,277
Transfers in (out), net	(504,642)	(1,143,810)	(1,648,452)
Change in net assets	1,590,593	(2,693,768)	(1,103,175)
Net assets at beginning of year	3,638,156	12,767,868	16,406,024
Net assets at end of year	\$ 5,228,749	10,074,100	15,302,849

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating activities:			
Operating expenses	\$ -	(6,293)	(6,293)
Net cash (used) by operating activities	-	(6,293)	(6,293)
Investing activities:			
Proceeds from maturity or sale of investments	384,088	117,383,567	117,767,655
Purchase of investments	(5,962)	(114,898,509)	(114,904,471)
Interest received on investments, net of purchased interest	15,634	364,196	379,830
Interest received on projects	-	2,500,782	2,500,782
Principal collected on projects	-	10,343,674	10,343,674
Payment for construction of projects	(147,190)	-	(147,190)
Net cash provided by investing activities	246,570	15,693,710	15,940,280
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(1,849,419)	(1,849,419)
Redemption of bonds	-	(11,235,000)	(11,235,000)
Transfers (to) from other funds	(246,570)	(2,753,266)	(2,999,836)
Net cash (used) by noncapital financing activities	(246,570)	(15,837,685)	(16,084,255)
Net increase (decrease) in cash and cash equivalents	-	(150,268)	(150,268)
Cash and cash equivalents at beginning of year	-	423,046	423,046
Cash and cash equivalents at end of year	\$ -	272,778	272,778
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	2,049,917	(1,549,958)	499,959
Adjustments:			
Investment income	(11,406)	(255,664)	(267,070)
Operating expenses	(1)	-	(1)
Interest on bonds	29,817	1,799,329	1,829,146
Loan income	(2,139,816)	-	(2,139,816)
Amortization of bond issuance expense	71,489	-	71,489
Net cash (used) by operating activities	\$ -	(6,293)	(6,293)

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	122,565	108,314
Investments	1	13,009,502	9,873,485
Loan receivables	108,273,168	-	-
Total restricted assets	<u>108,273,169</u>	<u>13,132,067</u>	<u>9,981,799</u>
Other receivables	-	-	-
Deferred bond issuance expense	884,715	-	-
Total assets	<u>\$ 109,157,884</u>	<u>13,132,067</u>	<u>9,981,799</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	95,314	-
Water Development Revenue Refunding Bonds:			
Safe Water 1987 - 1997 Series	18,532,929	-	-
Total current liabilities payable from restricted assets	<u>18,532,929</u>	<u>95,314</u>	<u>-</u>
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Safe Water 1987 - 1997 Series, net of discounts, premiums and deferred loss	86,160,755	-	-
Total noncurrent liabilities	<u>86,160,755</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>104,693,684</u>	<u>95,314</u>	<u>-</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	4,464,200	13,036,753	9,981,799
Unrestricted	-	-	-
Total net assets	<u>4,464,200</u>	<u>13,036,753</u>	<u>9,981,799</u>
Total liabilities and net assets	<u>\$ 109,157,884</u>	<u>13,132,067</u>	<u>9,981,799</u>

Trusted Fund

1997 Safe Water	Fund Total
54,157	285,036
6,208,433	29,091,421
-	108,273,168
6,262,590	137,649,625
81,613	81,613
-	884,715
6,344,203	138,615,953
319,799	415,113
-	18,532,929
319,799	18,948,042
-	86,160,755
-	86,160,755
319,799	105,108,797
6,024,404	33,507,156
-	-
6,024,404	33,507,156
6,344,203	138,615,953

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

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

Year ended December 31, 2002

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating revenues:			
Loan income	\$ 12,412,925	-	-
Investment income	-	182,053	218,292
Total operating revenues	<u>12,412,925</u>	<u>182,053</u>	<u>218,292</u>
Operating expenses:			
Interest on bonds	2,068,621	1,934,542	1,168,479
Amortization of bond issuance expense	298,600	-	-
Other	1	7,754	9,662
Total operating expenses	<u>2,367,222</u>	<u>1,942,296</u>	<u>1,178,141</u>
Operating income (loss)	<u>10,045,703</u>	<u>(1,760,243)</u>	<u>(959,849)</u>
Nonoperating other revenues (expenses)	(45,318)	-	-
Income (loss) before transfers	<u>10,000,385</u>	<u>(1,760,243)</u>	<u>(959,849)</u>
Transfers in (out), net	4,227,860	6,060,380	(569,562)
Change in net assets	<u>14,228,245</u>	<u>4,300,137</u>	<u>(1,529,411)</u>
Net assets at beginning of year	(9,764,045)	8,736,616	11,511,210
Net assets at end of year	<u>\$ 4,464,200</u>	<u>13,036,753</u>	<u>9,981,799</u>

Trusted Fund

<u>1997 Safe Water</u>	<u>Fund Total</u>
-	12,412,925
<u>159,720</u>	<u>560,065</u>
159,720	12,972,990
3,861,753	9,033,395
-	298,600
<u>8,564</u>	<u>25,981</u>
3,870,317	9,357,976
<u>(3,710,597)</u>	<u>3,615,014</u>
149,738	104,420
<u>(3,560,859)</u>	<u>3,719,434</u>
<u>3,123,246</u>	<u>12,841,924</u>
(437,613)	16,561,358
<u>6,462,017</u>	<u>16,945,798</u>
<u>6,024,404</u>	<u>33,507,156</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating activities:			
Operating expenses	\$ -	(7,754)	(9,662)
Net cash (used) by operating activities	-	(7,754)	(9,662)
Investing activities:			
Proceeds from maturity or sale of investments	-	80,796,022	91,066,171
Purchase of investments	-	(87,268,260)	(91,551,854)
Interest received on investments, net of purchased interest	-	185,087	231,736
Interest received on projects	-	5,392,587	4,765,540
Principal collected on projects	-	5,745,986	5,077,851
Net cash provided by investing activities	-	4,851,422	9,589,444
Noncapital financing activities:			
Redemption of bonds	-	(21,265,000)	(9,215,000)
Interest paid on bonds, net of purchased interest	-	(2,030,500)	-
Other	-	-	-
Transfers (to) from other funds	-	16,186,807	(2,366,432)
Net cash (used) by noncapital financing activities	-	(7,108,693)	(11,581,432)
Net increase (decrease) in cash and cash equivalents	-	(2,265,025)	(2,001,650)
Cash and cash equivalents at beginning of year	-	2,387,590	2,109,964
Cash and cash equivalents at end of year	\$ -	122,565	108,314
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	10,045,703	(1,760,243)	(959,849)
Adjustments:			
Investment income	-	(182,053)	(218,292)
Operating expense	1	-	-
Interest on bonds	2,068,621	1,934,542	1,168,479
Loan income	(12,412,925)	-	-
Amortization of bond issuance expense	298,600	-	-
Net cash (used) by operating activities	\$ -	(7,754)	(9,662)

Trusted Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
(8,564)	(25,980)
<u>(8,564)</u>	<u>(25,980)</u>
32,371,560	204,233,753
(32,606,554)	(211,426,668)
233,554	650,377
2,382,770	12,540,897
<u>2,538,925</u>	<u>13,362,762</u>
4,920,255	19,361,121
(820,000)	(31,300,000)
(3,864,760)	(5,895,260)
(249,306)	(249,306)
<u>(978,450)</u>	<u>12,841,925</u>
<u>(5,912,516)</u>	<u>(24,602,641)</u>
(1,000,825)	(5,267,500)
<u>1,054,982</u>	<u>5,552,536</u>
<u>54,157</u>	<u>285,036</u>
(3,710,597)	3,615,014
(159,720)	(560,065)
-	1
3,861,753	9,033,395
-	(12,412,925)
-	298,600
<u>(8,564)</u>	<u>(25,980)</u>

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 3,690,185	-	41,535
Investments	60,442,270	57,030	240,733
Loan receivables	295,789,542	-	-
Total restricted assets	<u>359,921,997</u>	<u>57,030</u>	<u>282,268</u>
Deferred bond issuance expense	3,228,582	-	-
Total assets	<u>\$ 363,150,579</u>	<u>57,030</u>	<u>282,268</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	-	23,776	-
Accrued interest	371,114	372,902	559,650
Accounts payable	-	-	238,817
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series	28,380,000	-	-
Total current liabilities payable from restricted assets	<u>28,751,114</u>	<u>396,678</u>	<u>798,467</u>
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series, net of discount, premium and deferred losses	247,204,436	-	-
Total noncurrent liabilities	<u>247,204,436</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>275,955,550</u>	<u>396,678</u>	<u>798,467</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	76,540,411	(339,648)	(516,199)
Unrestricted	10,654,618	-	-
Total net assets	<u>87,195,029</u>	<u>(339,648)</u>	<u>(516,199)</u>
Total liabilities and net assets	<u>\$ 363,150,579</u>	<u>57,030</u>	<u>282,268</u>



Trusted Fund

Fund  
Total

3,731,720  
60,740,033  
295,789,542  
360,261,295

3,228,582  
363,489,877

23,776  
1,303,666  
238,817

28,380,000

29,946,259

247,204,436  
247,204,436

277,150,695

75,684,564  
10,654,618  
86,339,182  
363,489,877

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

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

Year ended December 31, 2002

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating revenues:			
Loan income	\$ 24,218,675	-	-
Investment income	2,648,303	2,729	41,863
Total operating revenues	<u>26,866,978</u>	<u>2,729</u>	<u>41,863</u>
Operating expenses:			
Interest on bonds	15,728,845	959,011	559,650
Amortization of bond issuance expense	268,766	-	-
Other	56,478	124	36
Total operating expenses	<u>16,054,089</u>	<u>959,135</u>	<u>559,686</u>
Operating income (loss)	<u>10,812,889</u>	<u>(956,406)</u>	<u>(517,823)</u>
Nonoperating other revenues (expenses)	4,021,873	-	-
Income (loss) before transfers	<u>14,834,762</u>	<u>(956,406)</u>	<u>(517,823)</u>
Transfers in (out), net	<u>(15,679,165)</u>	<u>616,758</u>	<u>1,624</u>
Change in net assets	(844,403)	(339,648)	(516,199)
Net assets at beginning of year	88,039,432	-	-
Net assets at end of year	<u>\$ 87,195,029</u>	<u>(339,648)</u>	<u>(516,199)</u>

Trusted Fund

Fund  
Total

24,218,675  
2,692,895  
26,911,570

17,247,506  
268,766  
56,638  
17,572,910

9,338,660

4,021,873

13,360,533

(15,060,783)  
(1,700,250)

88,039,432  
86,339,182

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating activities:			
Operating expenses	\$ (58,471)	(124)	(36)
Net cash (used) by operating activities	<u>(58,471)</u>	<u>(124)</u>	<u>(36)</u>
Investing activities:			
Proceeds from maturity or sale of investments	458,721,039	4,478,485	333,569,790
Purchase of investments	(449,629,552)	(4,535,482)	(333,810,248)
Interest received on investments, net of purchased interest	2,693,595	2,695	41,587
Interest received on projects	24,682,573	-	-
Principal collected on projects	23,373,620	-	-
Payment for construction of projects	<u>(1,948,822)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	57,892,453	(54,302)	(198,871)
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(11,581,037)	(1,076,583)	-
Proceeds of bonds	-	105,601,794	111,010,263
Bond issuance expense	-	(925,391)	(609,822)
Redemption of bonds	(247,943,584)	(1,060,000)	-
Other	4,021,873	23,776	-
Transfers (to) from other funds	<u>197,603,959</u>	<u>(102,509,170)</u>	<u>(110,159,999)</u>
Net cash provided (used) by noncapital financing activities	<u>(57,898,789)</u>	<u>54,426</u>	<u>240,442</u>
Net increase (decrease) in cash and cash equivalents	(64,807)	-	41,535
Cash and cash equivalents at beginning of year	3,754,992	-	-
Cash and cash equivalents at end of year	<u>\$ 3,690,185</u>	<u>-</u>	<u>41,535</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	10,812,889	(956,406)	(517,823)
Adjustments:			
Investment income	(2,648,303)	(2,729)	(41,863)
Operating expense	(1,993)	-	-
Interest on bonds	15,728,845	959,011	559,650
Loan income	(24,218,675)	-	-
Amortization of bond issuance expense	<u>268,766</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (58,471)</u>	<u>(124)</u>	<u>(36)</u>

Trusted Fund

Fund  
Total

(58,631)  
(58,631)

796,769,314  
(787,975,282)  
2,737,877  
24,682,573  
23,373,620  
(1,948,822)  
57,639,280

(12,657,620)  
216,612,057  
(1,535,213)  
(249,003,584)  
4,045,649  
(15,065,210)  
(57,603,921)  
(23,272)  
3,754,992  
3,731,720

9,338,660

(2,692,895)  
(1,993)  
17,247,506  
(24,218,675)  
268,766  
(58,631)  
(58,631)

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund			
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds	1995 State Match Bond Proceeds
<u>Assets</u>				
Noncurrent assets:				
Restricted bond and note covenant assets:				
Cash and cash equivalents	\$ 6,437,215	-	-	-
Investments	203,792,505	4,093,762	6,069,305	6,079,947
Loan receivables	1,473,623,808	-	-	-
Total restricted assets	<u>1,683,853,528</u>	<u>4,093,762</u>	<u>6,069,305</u>	<u>6,079,947</u>
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Deferred bond issuance expense	-	-	129,724	395,445
Total assets	<u>\$ 1,683,853,528</u>	<u>4,093,762</u>	<u>6,199,029</u>	<u>6,475,392</u>
<u>Liabilities</u>				
Current liabilities payable from restricted assets:				
Accrued interest	-	-	25,589	137,554
Due to other funds	-	-	-	-
Accounts payable	23,790,026	-	-	232,314
Water Pollution Control Loan Fund Revenue Bonds:				
State Match Series 1993-2001	-	-	3,340,000	5,885,000
Water Quality Series 1995-2002	-	-	-	-
Total current liabilities payable from restricted assets	<u>23,790,026</u>	<u>-</u>	<u>3,365,589</u>	<u>6,254,868</u>
Noncurrent liabilities:				
Water Pollution Control Loan Fund Revenue Bonds:				
State Match Series 1993-2001, net of discounts, premiums and deferred loss	-	-	-	-
Water Quality Series 1995-2002, net of discounts and premiums	-	-	3,187,198	21,812,518
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>3,187,198</u>	<u>21,812,518</u>
Total liabilities	<u>23,790,026</u>	<u>-</u>	<u>6,552,787</u>	<u>28,067,386</u>
<u>Net Assets</u>				
Restricted for debt and grant covenants	1,660,063,502	4,093,762	(353,758)	(21,591,994)
Unrestricted	-	-	-	-
Total net assets	<u>1,660,063,502</u>	<u>4,093,762</u>	<u>(353,758)</u>	<u>(21,591,994)</u>
Total liabilities and net assets	<u>\$ 1,683,853,528</u>	<u>4,093,762</u>	<u>6,199,029</u>	<u>6,475,392</u>

Trusteed Fund

2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds	2002 Water Quality Bond Proceeds	Fund Total
-	-	1	1	-	1	6,437,218
26,078,247	8,411	18,547,140	41,381,041	53,998,706	112,110,959	472,160,023
-	-	-	-	-	-	1,473,623,808
<u>26,078,247</u>	<u>8,411</u>	<u>18,547,141</u>	<u>41,381,042</u>	<u>53,998,706</u>	<u>112,110,960</u>	<u>1,952,221,049</u>
-	-	-	-	17,882	-	17,882
-	-	40,938	1,301,736	-	-	1,342,674
592,100	375,447	1,667,848	1,762,660	-	1,562,929	6,486,153
<u>26,670,347</u>	<u>383,858</u>	<u>20,255,927</u>	<u>44,445,438</u>	<u>54,016,588</u>	<u>113,673,889</u>	<u>1,960,067,758</u>
300,498	208,039	827,132	822,911	-	829,365	3,151,088
-	-	-	-	-	17,882	17,882
997,430	60,891	-	-	95,758	-	25,176,419
7,680,000	2,305,000	-	-	-	-	19,210,000
-	-	7,770,000	5,195,000	-	5,140,000	18,105,000
<u>8,977,928</u>	<u>2,573,930</u>	<u>8,597,132</u>	<u>6,017,911</u>	<u>95,758</u>	<u>5,987,247</u>	<u>65,660,389</u>
59,653,845	49,877,585	-	-	-	-	109,531,430
-	-	179,057,550	188,887,865	-	196,916,991	589,862,122
<u>59,653,845</u>	<u>49,877,585</u>	<u>179,057,550</u>	<u>188,887,865</u>	<u>-</u>	<u>196,916,991</u>	<u>699,393,552</u>
<u>68,631,773</u>	<u>52,451,515</u>	<u>187,654,682</u>	<u>194,905,776</u>	<u>95,758</u>	<u>202,904,238</u>	<u>765,053,941</u>
(41,961,426)	(52,067,657)	(167,398,755)	(150,460,338)	53,920,830	(89,230,349)	1,195,013,817
-	-	-	-	-	-	-
<u>(41,961,426)</u>	<u>(52,067,657)</u>	<u>(167,398,755)</u>	<u>(150,460,338)</u>	<u>53,920,830</u>	<u>(89,230,349)</u>	<u>1,195,013,817</u>
<u>26,670,347</u>	<u>383,858</u>	<u>20,255,927</u>	<u>44,445,438</u>	<u>54,016,588</u>	<u>113,673,889</u>	<u>1,960,067,758</u>

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

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

Year ended December 31, 2002

	Trusteed Fund			
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds	1995 State Match Bond Proceeds
Operating revenues:				
Loan income	\$ 54,051,487	-	-	-
Investment income	<u>3,342,701</u>	<u>95,951</u>	<u>242,436</u>	<u>382,505</u>
Total operating revenues	<u>57,394,188</u>	<u>95,951</u>	<u>242,436</u>	<u>382,505</u>
Operating expenses:				
Interest on bonds and notes	-	90,733	420,541	1,653,990
Amortization of bond and note issuance expense	-	37,083	64,863	71,899
Other	<u>4,260,031</u>	<u>2,645</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,260,031</u>	<u>130,461</u>	<u>485,404</u>	<u>1,725,889</u>
Operating income (loss)	<u>53,134,157</u>	<u>(34,510)</u>	<u>(242,968)</u>	<u>(1,343,384)</u>
Nonoperating other revenues (expenses)	-	-	-	(15,900)
Income (loss) before contributions and transfers	<u>53,134,157</u>	<u>(34,510)</u>	<u>(242,968)</u>	<u>(1,359,284)</u>
Contribution from U.S. EPA	59,292,959	-	-	-
Transfers in (out), net	<u>35,862,063</u>	<u>845,810</u>	<u>2,886,301</u>	<u>6,610,601</u>
Change in net assets	<u>148,289,179</u>	<u>811,300</u>	<u>2,643,333</u>	<u>5,251,317</u>
Net assets at beginning of year	<u>1,511,774,323</u>	<u>3,282,462</u>	<u>(2,997,091)</u>	<u>(26,843,311)</u>
Net assets at end of year	<u>\$ 1,660,063,502</u>	<u>4,093,762</u>	<u>(353,758)</u>	<u>(21,591,994)</u>



Trusteed Fund

2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds	2002 Water Quality Bond Proceeds	Fund Total
-	-	-	-	-	-	54,051,487
949,650	18,104	892,572	1,544,783	1,423,902	1,952,010	10,844,614
949,650	18,104	892,572	1,544,783	1,423,902	1,952,010	64,896,101
3,598,331	2,302,002	10,097,759	9,963,418	273,009	8,125,077	36,524,860
31,163	86,052	128,296	106,828	227,949	76,240	830,373
15,063	1,658	13,559	27,176	94,624	23,628	4,438,384
3,644,557	2,389,712	10,239,614	10,097,422	595,582	8,224,945	41,793,617
(2,694,907)	(2,371,608)	(9,347,042)	(8,552,639)	828,320	(6,272,935)	23,102,484
127,371	-	240,903	1,301,735	(150,713)	-	1,503,396
(2,567,536)	(2,371,608)	(9,106,139)	(7,250,904)	677,607	(6,272,935)	24,605,880
-	-	-	-	-	-	59,292,959
(9,623,521)	2,592,344	14,151,177	(23,615,282)	53,247,921	(82,957,414)	-
(12,191,057)	220,736	5,045,038	(30,866,186)	53,925,528	(89,230,349)	83,898,839
(29,770,369)	(52,288,393)	(172,443,793)	(119,594,152)	(4,698)	-	1,111,114,978
(41,961,426)	(52,067,657)	(167,398,755)	(150,460,338)	53,920,830	(89,230,349)	1,195,013,817

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund			
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds	1995 State Match Bond Proceeds
Operating activities:				
Operating expenses	\$ (4,260,028)	(2,645)	-	-
Net cash (used) by operating activities	(4,260,028)	(2,645)	-	-
Investing activities:				
Proceeds from maturity or sale of investments	7,917,182,470	123,915,746	64,601,342	65,388,333
Purchase of investments	(7,922,184,832)	(122,560,473)	(63,840,979)	(64,416,373)
Interest received on investments, net of purchased interest	3,400,564	98,470	248,479	381,259
Interest received on projects	48,518,533	-	-	-
Principal collected on projects	67,129,018	-	-	-
Payment for construction of projects	(206,254,697)	-	-	-
Net cash provided (used) by investing activities	(92,208,944)	1,453,743	1,008,842	1,353,219
Noncapital financing activities:				
Interest paid on bonds and notes, net of purchased interest	-	(96,908)	(425,145)	(1,873,820)
Proceeds of bonds	-	-	-	-
Bond and note issuance expense	-	-	-	-
Redemption of bonds and notes	-	(2,200,000)	(3,470,000)	(6,090,000)
Contribution from U.S. EPA	59,292,959	-	-	-
Other	-	-	-	-
Transfers (to) from other funds	35,862,062	845,810	2,886,303	6,610,601
Net cash provided (used) by noncapital financing activities	95,155,021	(1,451,098)	(1,008,842)	(1,353,219)
Net increase (decrease) in cash and cash equivalents	(1,313,951)	-	-	-
Cash and cash equivalents at beginning of year	7,751,166	-	-	-
Cash and cash equivalents at end of year	\$ 6,437,215	-	-	-
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	53,134,157	(34,510)	(242,968)	(1,343,384)
Adjustments:				
Investment income	(3,342,701)	(95,951)	(242,436)	(382,505)
Operating expenses	3	-	-	-
Interest on bonds and notes	-	90,733	420,541	1,653,990
Loan income	(54,051,487)	-	-	-
Amortization of bond and note issuance expense	-	37,083	64,863	71,899
Net cash (used) by operating activities	\$ (4,260,028)	(2,645)	-	-

Trusteed Fund

2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds	2002 Water Quality Bond Proceeds	Fund Total
(15,063)	(1,658)	(13,559)	(27,176)	(94,624)	(23,628)	(4,438,381)
<u>(15,063)</u>	<u>(1,658)</u>	<u>(13,559)</u>	<u>(27,176)</u>	<u>(94,624)</u>	<u>(23,628)</u>	<u>(4,438,381)</u>
835,351,870	9,486,285	27,337,255	223,928,901	114,973,594	353,264,853	9,735,430,649
(816,329,460)	(9,414,350)	(25,411,591)	(184,632,722)	(85,388,713)	(465,250,353)	(9,759,429,846)
2,116,766	18,266	925,718	1,715,214	1,416,149	1,826,552	12,147,437
-	-	-	-	-	-	48,518,533
-	-	-	-	-	-	67,129,018
-	-	-	-	-	-	(206,254,697)
<u>21,139,176</u>	<u>90,201</u>	<u>2,851,382</u>	<u>41,011,393</u>	<u>31,001,030</u>	<u>(110,158,948)</u>	<u>(102,458,906)</u>
(3,920,594)	(2,662,888)	(10,476,000)	(10,153,250)	(573,375)	(7,570,236)	(37,752,216)
-	-	-	-	-	204,531,514	204,531,514
-	-	-	-	(12,357)	(1,639,168)	(1,651,525)
(7,580,000)	-	(6,625,000)	(4,475,000)	(83,400,000)	(2,200,000)	(116,040,000)
-	-	-	-	-	-	59,292,959
-	(18,000)	-	(2,843,687)	(168,589)	17,882	(3,012,394)
<u>(9,623,519)</u>	<u>2,592,345</u>	<u>14,151,178</u>	<u>(23,615,281)</u>	<u>53,247,916</u>	<u>(82,957,415)</u>	<u>-</u>
<u>(21,124,113)</u>	<u>(88,543)</u>	<u>(2,949,822)</u>	<u>(41,087,218)</u>	<u>(30,906,405)</u>	<u>110,182,577</u>	<u>105,368,338</u>
-	-	(111,999)	(103,001)	1	1	(1,528,949)
-	-	112,000	103,002	(1)	-	7,966,167
<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>6,437,218</u>
(2,694,907)	(2,371,608)	(9,347,042)	(8,552,639)	828,320	(6,272,935)	23,102,484
(949,650)	(18,104)	(892,572)	(1,544,783)	(1,423,902)	(1,952,010)	(10,844,614)
-	-	-	-	-	-	3
3,598,331	2,302,002	10,097,759	9,963,418	273,009	8,125,077	36,524,860
-	-	-	-	-	-	(54,051,487)
<u>31,163</u>	<u>86,052</u>	<u>128,296</u>	<u>106,828</u>	<u>227,949</u>	<u>76,240</u>	<u>830,373</u>
<u>(15,063)</u>	<u>(1,658)</u>	<u>(13,559)</u>	<u>(27,176)</u>	<u>(94,624)</u>	<u>(23,628)</u>	<u>(4,438,381)</u>

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

Schedule of Combining Balance Sheets

December 31, 2002

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 921,672	-	2
Investments	12,543,915	6,034,665	13,248,526
Loan receivables	107,085,270	9,687,185	-
Total restricted assets	120,550,857	15,721,850	13,248,528
Deferred bond issuance expense	-	-	261,574
Total assets	\$ 120,550,857	15,721,850	13,510,102
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	98,414
Due to other funds	140,257	-	-
Accounts payable	6,166,909	-	-
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002	-	-	1,955,000
Leverage Series 2002	-	-	-
Total current liabilities payable from restricted assets	6,307,166	-	2,053,414
Noncurrent liabilities:			
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002, net of premium	-	-	27,449,037
Leverage Series 2002, net of premium	-	-	-
Total noncurrent liabilities	-	-	27,449,037
Total liabilities	6,307,166	-	29,502,451
<u>Net Assets</u>			
Restricted for debt and grant covenants	114,243,691	15,721,850	(15,992,349)
Unrestricted	-	-	-
Total net assets	114,243,691	15,721,850	(15,992,349)
Total liabilities and net assets	\$ 120,550,857	15,721,850	13,510,102

Trusteed Fund

2002 Leverage Bond Proceeds	Fund Total
-	921,674
61,542,204	93,369,310
-	116,772,455
<u>61,542,204</u>	<u>211,063,439</u>
515,938	777,512
<u>62,058,142</u>	<u>211,840,951</u>
249,201	347,615
-	140,257
-	6,166,909
-	1,955,000
<u>385,000</u>	<u>385,000</u>
634,201	8,994,781
-	27,449,037
<u>61,254,903</u>	<u>61,254,903</u>
61,254,903	88,703,940
<u>61,889,104</u>	<u>97,698,721</u>
169,038	114,142,230
-	-
<u>169,038</u>	<u>114,142,230</u>
<u>62,058,142</u>	<u>211,840,951</u>

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

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

Year ended December 31, 2002

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 3,937,272	167,773	-
Investment income	145,864	152,015	188,144
Administrative fees from projects	408,559	-	-
Total operating revenues	4,491,695	319,788	188,144
Operating expenses:			
Interest on bonds and notes	-	229,708	669,291
Amortization of bond and note issuance expense	-	27,061	6,380
Other	2,960,534	21	1,951
Total operating expenses	2,960,534	256,790	677,622
Operating income (loss)	1,531,161	62,998	(489,478)
Contribution from U.S. EPA	26,153,960	-	-
Transfers in (out), net	(877,078)	15,236,355	(15,502,871)
Change in net assets	26,808,043	15,299,353	(15,992,349)
Net assets at beginning of year	87,435,648	422,497	-
Net assets at end of year	\$ 114,243,691	15,721,850	(15,992,349)

<u>Trusted Fund</u>	
2002 Leverage Bond Proceeds	Fund Total
-	4,105,045
708,429	1,194,452
-	408,559
<u>708,429</u>	<u>5,708,056</u>
1,670,401	2,569,400
12,584	46,025
-	2,962,506
<u>1,682,985</u>	<u>5,577,931</u>
<u>(974,556)</u>	<u>130,125</u>
-	26,153,960
<u>1,143,594</u>	-
169,038	26,284,085
-	87,858,145
<u>169,038</u>	<u>114,142,230</u>

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

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2002

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating activities:			
Administrative fees from projects	\$ 400,998	-	-
Operating expenses	<u>(2,960,534)</u>	<u>(21)</u>	<u>(1,951)</u>
Net cash (used) by operating activities	(2,559,536)	(21)	(1,951)
Investing activities:			
Proceeds from maturity or sale of investments	25,771,059	9,659,045	41,292,224
Purchase of investments	(29,598,627)	(4,780,637)	(54,518,273)
Interest received on investments, net of purchased interest	150,274	164,078	165,669
Interest received on projects	3,363,258	-	-
Principal collected on projects	3,437,056	-	-
Payment for construction of projects	<u>(25,454,384)</u>	<u>(5,060,465)</u>	<u>-</u>
Net cash (used) by investing activities	(22,331,364)	(17,979)	(13,060,380)
Noncapital financing activities:			
Interest paid on bonds and notes	-	(275,958)	(603,761)
Proceeds of bonds	-	-	30,076,919
Bond issuance expense	-	-	(267,953)
Redemption of bonds and notes	-	(15,000,000)	(640,000)
Contribution from U.S. EPA	26,153,960	-	-
Other	143,703	18,000	-
Transfers (to) from other funds	<u>(916,684)</u>	<u>15,275,958</u>	<u>(15,502,872)</u>
Net cash provided by noncapital financing activities	25,380,979	18,000	13,062,333
Net increase (decrease) in cash and cash equivalents	490,079	-	2
Cash and cash equivalents at beginning of year	431,593	-	-
Cash and cash equivalents at end of year	<u>\$ 921,672</u>	<u>-</u>	<u>2</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	1,531,161	62,998	(489,478)
Adjustments:			
Investment income	(145,864)	(152,015)	(188,144)
Interest on bonds and notes	-	229,708	669,291
Loan income	(3,937,272)	(167,773)	-
Amortization of bond and note issuance expense	-	27,061	6,380
Net change in other assets and other liabilities	<u>(7,561)</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (2,559,536)</u>	<u>(21)</u>	<u>(1,951)</u>



Trusteed Fund	
2002 Leverage Bond Proceeds	Fund Total
-	400,998
-	(2,962,506)
-	(2,561,508)
62,733,108	139,455,436
(124,186,205)	(213,083,742)
619,317	1,099,338
-	3,363,258
-	3,437,056
-	(30,514,849)
(60,833,780)	(96,243,503)
(1,503,513)	(2,383,232)
61,722,216	91,799,135
(528,521)	(796,474)
-	(15,640,000)
-	26,153,960
-	161,703
1,143,598	-
60,833,780	99,295,092
-	490,081
-	431,593
-	921,674
(974,556)	130,125
(708,429)	(1,194,452)
1,670,401	2,569,400
-	(4,105,045)
12,584	46,025
-	(7,561)
-	(2,561,508)

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## **Auditor of State Betty Montgomery**

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

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority as of and for the year ended December 31, 2002, and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

#### **Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Ohio Water Development Authority in a separate letter dated March 28, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
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This report is intended for the information and use of the Ohio Water Development Authority Board of Directors, management, the State of Ohio and the Ohio Legislature and is not intended to be and should not be used by anyone other than these specified parties.

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

**BETTY MONTGOMERY**  
Auditor of State

March 28, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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800-282-0370

Facsimile 614-466-4490

**OHIO WATER DEVELOPMENT AUTHORITY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 8, 2003**