OHIO WATER
DEVELOPMENT AUTHORITY

Financial Statements

December 31, 2007

(With Independent Auditor's Report Thereon)

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 16, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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OHIO WATER
DEVELOPMENT AUTHORITY

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditors' Report

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

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 24, 2008

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements, which begin on page 8 of this report.

Financial Highlights

- The Authority's net assets increased during fiscal year 2007 by $170,985,347 or 6.55%.
- During 2007, the Authority's loan receivable balance increased by $285,910,122 or 7.85%.
- During 2007, the Authority earned $73,935,490 in investment income, an increase of $4,928,426, or 7.14%, from 2006.
- During 2007, the Authority received a ratings upgrade on its Fresh Water Series Bonds from "Aa1" to "Aaa" from Moody's.
- During 2007, The Authority received a ratings upgrade on its Community Assistance Series Bonds from "Aa3" to "Aa2" from Moody's.

Overview of the Financial Statements

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

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

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2007. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements and individual schedules of combining statements. The notes to financial statements can be found on pages 14-58 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 2007 and 2006, 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, 2007 and December 31, 2006:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2007	2006	Dollar Change	Total Percent Change
Current assets	$81,832	$86,233	$(4,401)	(5.10%)
Noncurrent restricted assets	5,128,236	5,047,441	80,795	1.60%
Noncurrent unrestricted assets	119,077	111,546	7,531	6.75%
Capital assets	1,812	1,924	(112)	(5.82%)
Total assets	$5,330,957	$5,247,144	$83,813	1.60%
Current liabilities	265,164	193,946	71,218	36.72%)
Noncurrent revenue bonds and notes payable	2,283,822	2,442,231	(158,409)	(6.49%)
Other noncurrent liabilities	179	161	18	11.18%
Total liabilities	2,549,165	2,636,338	(87,173)	(3.31%)
Net assets:				
Invested in capital assets	1,812	1,924	(112)	(5.82%)
Restricted	2,580,256	2,448,952	131,304	5.36%
Unrestricted	199,724	159,930	39,794	24.88%
Total net assets	2,781,792	2,610,806	170,986	6.55%
Total liabilities and net assets	$5,330,957	$5,247,144	$83,813	1.60%

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $2,781,791,504 as of December 31, 2007, $2,580,256,034 of which is restricted for debt and grant covenants.

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

During fiscal year 2007, the Authority's net assets increased by $170,985,347 or 6.55%. The majority of this increase was due to the following:

- A $285,910,122 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A $206,851,870 decrease in cash, cash equivalents, and investments caused by the lending of bond proceeds and repayment of bonds payable.
- An $81,253,558 decrease in bonds and notes payable caused by the redemption of more debt in 2007 than was newly issued.

The following table summarizes the changes in revenues and expenses for the Authority between 2007 and 2006:

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

(all amounts expressed in thousands of dollars)

	2007	2006	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	$143,998	$138,182	$5,816	4.21%
Investment income	73,935	69,007	4,928	7.14%
Administrative fees from projects	2,300	3,701	(1,401)	(37.85%)
Total operating revenues	220,233	210,890	9,343	4.43%
Operating expenses:				
Interest on bonds and notes	110,509	112,525	(2,016)	(1.79%)
Amortization of bond and note issuance expense	1,759	2,067	(308)	(14.90%)
Other	15,660	15,820	(160)	(1.01%)
Total operating expenses	127,928	130,412	(2,484)	(1.90%)
Operating income	92,305	80,478	11,827	14.70%
Nonoperating other revenues, net	(1,047)	361	(1,408)	(390.03%)
Contribution from U.S. EPA	79,727	108,202	(28,475)	(26.32%)
Change in net assets	$170,985	$189,041	$(18,056)	(9.55%)

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, 2007, the Authority had an increase in operating income compared to 2006 of $11,827,721 or 14.70%. This increase was attributed to the following:

- A $5,816,069 increase in loan income caused by an increase in the loans receivable in 2007.
- A $4,928,426 increase in investment income caused by an increase in the yields the Authority was able to obtain on securities traded in 2007.
- A $2,015,431 decrease in interest on bonds and notes caused by a smaller average bonds and notes payable balance.

Debt Administration

As of December 31, 2007, the Authority had bond and note principal outstanding of $2,485,696,551. 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 2007 and 2006.

Outstanding Debt at December 31, 2007 and December 31, 2006
(net of discount, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

		2007	2006
Revenue Bonds	$	201,875	2,464,960
Revenue Notes		2,283,822	101,990
Total	$	2,485,697	2,566,950

During 2007, 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 Bonds—Community Assistance Series 2007
- Water Development Revenue Notes—Fresh Water Series 2007

The Authority continues to maintain strong ratings from Moody's and Standard & Poor's. The table below summarizes the ratings from Moody's, Standard & Poor's, and Fitch for the 2007 bond and note issuances of the Authority.

Bond or Note Series	Moody's	Standard & Poor's	Fitch
Community Assistance Bonds	Aa2	—	AA
Fresh Water Notes	P-1	A-1+	—

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-53 of this report.

Contacting the Authority's Financial Management

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

OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2007

	Operating Fund	Working Capital Fund	Trusteed Funds: Other Projects Fund	Trusteed Funds: Rural Utility Services Fund (Note 4)	Trusteed Funds: Community Assistance Fund (Note 5)
Assets					
Current assets:					
Cash and cash equivalents -- Note 2	$ 249,111	-	31,926,014	-	-
Investments -- Note 2	3,616,280	-	43,802,901	-	-
Receivables:				-	
Loan and Fee receivables	337,046	-	1,884,930	-	-
Other	16,096	-	-	-	-
Total current assets	4,218,533	-	77,613,845	-	-
Noncurrent assets:					
Restricted grant, bond and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	25,916,342	43,567,477
Investments -- Note 2	-	-	-	-	8,294,119
Loan receivables	-	1,375,262	-	26,937,947	171,384,824
Total restricted assets	-	1,375,262	-	52,854,289	223,246,420
Investments -- Note 2	2,379,543	-	24,614,168	-	-
Loan receivables	-	-	40,594,265	-	-
Other receivables	-	-	-	-	-
Deferred debt issuance and other expense	-	-	-	95,675	1,204,368
Due from other funds -- Note 3	108,549	-	-	-	-
Capital assets, at depreciated cost	1,811,847	-	-	-	-
Total noncurrent assets	4,299,939	-	65,208,433	95,675	1,204,368
Total assets	$ 8,518,472	1,375,262	142,822,278	52,949,964	224,450,788
Liabilities					
Current liabilities:					
Accounts payable	$ 68,121	-	969,236	-	-
Total current liabilities	68,121	-	969,236	-	-
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	1,254,349	1,583,861
Accrued interest	-	-	-	126,583	332,657
Revenue bonds payable, net of premiums & deferred loss	-	-	-	-	4,300,000
Total current liabilities payable from restricted assets	-	-	-	1,380,932	6,216,518
Noncurrent liabilities:					
Compensated absences	179,592	-	-	-	-
Revenue bonds and notes payable (net of discount, premiums and deferred losses)	-	-	-	31,672,000	106,289,667
Total noncurrent liabilities	179,592	-	-	31,672,000	106,289,667
Total liabilities	247,713	-	969,236	33,052,932	112,506,185
Net Assets					
Invested in capital assets	1,811,847	-	-	-	-
Restricted for debt and grant covenants	-	1,375,262	-	19,897,032	111,944,603
Unrestricted	6,458,912	-	141,853,042	-	-
Total net assets	8,270,759	1,375,262	141,853,042	19,897,032	111,944,603
Total liabilities and net assets	$ 8,518,472	1,375,262	142,822,278	52,949,964	224,450,788

See accompanying notes to financial statements.

Trusted Funds				
Fresh Water Fund (Note 6)	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8&9)	Drinking Water Assistance Fund (Notes 10&11)	Total Combining 2007
-	-	-	-	32,175,125
-	-	-	-	47,419,181
-	-	-	-	2,221,976
-	-	-	-	16,096
-	-	-	-	81,832,378
104,914,781	9,343,014	159,358,351	120,225,260	463,325,225
84,277,815	65,044,241	597,640,895	23,023,899	778,280,969
647,087,477	156,654,492	2,469,298,386	413,891,271	3,886,629,659
836,280,073	231,041,747	3,226,297,632	557,140,430	5,128,235,853
-	-	-	-	26,993,711
-	-	-	-	40,594,265
1,336,245	-	3,408,704	-	4,744,949
3,095,628	751,290	39,715,516	1,773,273	46,635,750
-	-	-	-	108,549
-	-	-	-	1,811,847
4,431,873	751,290	43,124,220	1,773,273	120,889,071
840,711,946	231,793,037	3,269,421,852	558,913,703	5,330,957,302
-	-	-	-	1,037,357
-	-	-	-	1,037,357
-	-	-	108,549	108,549
4,649,509	-	35,240,952	6,541,605	49,270,276
1,850,802	372,545	5,655,156	4,535,730	12,873,473
44,180,000	3,514,677	70,285,000	79,595,000	201,874,677
50,680,311	3,887,222	111,181,108	90,780,884	264,126,975
-	-	-	-	179,592
381,517,841	93,859,609	1,448,380,772	222,101,985	2,283,821,874
381,517,841	93,859,609	1,448,380,772	222,101,985	2,284,001,466
432,198,152	97,746,831	1,559,561,880	312,882,869	2,549,165,798
-	-	-	-	1,811,847
366,671,636	124,476,695	1,709,859,972	246,030,834	2,580,256,034
41,842,158	9,569,511	-	-	199,723,623
408,513,794	134,046,206	1,709,859,972	246,030,834	2,781,791,504
840,711,946	231,793,037	3,269,421,852	558,913,703	5,330,957,302

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended December 31, 2007

	Trusted Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Operating revenues:					
Loan income	$ -	101,967	1,098,232	888,029	2,918,967
Investment income	345,940	-	5,540,569	1,411,315	2,127,566
Administrative fees from projects	1,612,603	-	-	-	-
Total operating revenues	1,958,543	101,967	6,638,801	2,299,344	5,046,533
Operating expenses:					
Interest on bonds and notes	-	-	-	1,201,344	4,166,992
Amortization of bond and note issuance expense	-	-	-	49,917	79,912
Other	2,596,938	-	918,901	42,706	37,729
Total operating expenses	2,596,938	-	918,901	1,293,967	4,284,633
Operating income	(638,395)	101,967	5,719,900	1,005,377	761,900
Nonoperating other revenues (expenses)	3,750	-	-	(567,217)	-
Income before contributions and transfers	(634,645)	101,967	5,719,900	438,160	761,900
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 16	-	(412,080)	(7,453,665)	-	-
Change in net assets	(634,645)	(310,113)	(1,733,765)	438,160	761,900
Net assets at beginning of year	8,905,404	1,685,375	143,586,807	19,458,872	111,182,703
Net assets at end of year	$ 8,270,759	1,375,262	141,853,042	19,897,032	111,944,603

See accompanying notes to financial statements.

Trusteed Funds						
Fresh Water Fund (Note 6)	Refunding Fund	Safe Water Refunding Fund	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8&9)	Drinking Water Assistance Fund (Notes 10&11)	Total Combining 2007
28,949,647	628,696	4,522,368	13,390,215	78,292,491	13,207,052	143,997,664
8,470,159	98,462	1,320,098	4,389,910	42,343,601	7,887,870	73,935,490
-	-	-	-	-	687,856	2,300,459
37,419,806	727,158	5,842,466	17,780,125	120,636,092	21,782,778	220,233,613
19,108,921	-	1,055,547	6,558,836	65,229,899	13,187,767	110,509,306
253,397	-	81,763	353,756	753,105	187,061	1,758,911
664,307	232	1,877,827	1,817,501	4,986,284	2,717,156	15,659,581
20,026,625	232	3,015,137	8,730,093	70,969,288	16,091,984	127,927,798
17,393,181	726,926	2,827,329	9,050,032	49,666,804	5,690,794	92,305,815
(395,176)	-	-	15,049	(7,531)	(95,905)	(1,047,030)
16,998,005	726,926	2,827,329	9,065,081	49,659,273	5,594,889	91,258,785
-	-	-	-	44,681,037	35,045,525	79,726,562
89,560,775	(13,394,881)	(60,853,757)	(7,446,392)	-	-	-
106,558,780	(12,667,955)	(58,026,428)	1,618,689	94,340,310	40,640,414	170,985,347
301,955,014	12,667,955	58,026,428	132,427,517	1,615,519,662	205,390,420	2,610,806,157
408,513,794	-	-	134,046,206	1,709,859,972	246,030,834	2,781,791,504

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2007

		Trusted Funds				
		Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Note 5)
Operating activities:						
Administrative fees from projects	$	2,204,966	-	-	-	-
Operating expenses		(1,240,622)	-	(139,482)	(42,706)	(37,729)
Salaries and fringes expense		(1,559,089)	-	-	-	-
Net cash (used) by operating activities		(594,745)	-	(139,482)	(42,706)	(37,729)
Investing activities:						
Proceeds from maturity or sale of investments		2,800,180	-	96,352,000	-	31,729,011
Purchase of investments		(3,107,890)	-	(75,159,186)	-	(14,703,672)
Interest received on investments, net of purchased interest		-	-	5,888,243	1,463,908	2,074,987
Interest received on projects		263,561	-	1,009,089	-	2,779,944
Principal collected on projects		-	-	1,864,083	5,227,180	7,237,031
Payment for construction of projects		-	-	(16,632,891)	(11,344,861)	(19,195,570)
Net cash provided (used) by investing activities		(44,149)	-	13,321,338	(4,653,773)	9,921,731
Noncapital financing activities:						
Interest paid on bonds and notes, net of purchased interest		-	-	-	(1,519,000)	(4,342,306)
Proceeds of bonds and notes		-	-	-	-	24,550,000
Bond and note issuance expense		-	-	-	-	(327,023)
Redemption of bonds and notes		-	-	-	-	(4,060,000)
Contribution from U.S. EPA		-	-	-	-	-
Other		633,023	-	-	-	733,898
Transfers (to) from other funds		-	-	(7,453,665)	-	-
Net cash provided (used) by noncapital financing activities		633,023	-	(7,453,665)	(1,519,000)	16,554,569
Net increase (decrease) in cash and cash equivalents		(5,871)	-	5,728,191	(6,215,479)	26,438,571
Cash and cash equivalents at beginning of year		254,982	-	26,075,317	32,043,080	16,977,455
Cash and cash equivalents at end of year -- Note 2	$	249,111	-	31,803,508	25,827,601	43,416,026
Reconciliation of operating income to net cash (used) by operating activities:						
Operating income	$	(638,395)	101,967	5,719,900	1,005,377	761,900
Adjustments:						
Investment income		(345,940)	-	(5,540,569)	(1,411,315)	(2,127,566)
Operating expenses		-	-	779,419	-	-
Interest on bonds and notes		-	-	-	1,201,344	4,166,992
Loan income		-	(101,967)	(1,098,232)	(888,029)	(2,918,967)
Amortization of bond and note issuance expense		-	-	-	49,917	79,912
Net change in other assets and other liabilities		389,590	-	-	-	-
Net cash (used) by operating activities	$	(594,745)	-	(139,482)	(42,706)	(37,729)

See accompanying notes to financial statements.

Trusted Funds						
Fresh Water Fund (Note 6)	Refunding Fund	Safe Water Refunding Fund	Pure Water Refunding Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8&9)	Drinking Water Assistance Fund (Notes 10&11)	Total Combining 2007
-	-	-	-	-	903,180	3,108,146
(655,506)	(2)	(48,925)	(279,777)	(4,986,284)	(2,717,156)	(10,148,189)
-	-	-	-	-	-	(1,559,089)
(655,506)	(2)	(48,925)	(279,777)	(4,986,284)	(1,813,976)	(8,599,132)
996,473,324	1,480,643	47,478,216	278,774,949	3,169,700,474	22,934,492	4,647,723,289
(967,375,766)	(1,480,643)	(28,035,757)	(283,215,597)	(2,910,819,772)	(855,214)	(4,284,753,497)
7,719,132	99,827	1,335,100	3,596,090	34,625,355	7,673,160	64,475,802
27,750,577	486,268	2,322,542	12,515,147	64,743,602	10,953,351	122,824,081
31,809,842	1,358,941	8,303,058	28,522,152	123,668,165	16,547,417	224,537,869
(67,309,711)	-	-	(220,427)	(323,264,702)	(72,305,245)	(510,273,407)
29,067,398	1,945,036	31,403,159	39,972,314	158,653,122	(15,052,039)	264,534,137
(20,634,724)	-	(659,250)	(5,590,522)	(69,551,713)	(10,634,738)	(112,932,253)
25,000,000	-	-	-	-	-	49,550,000
-	-	-	-	-	-	(327,023)
(18,245,000)	-	(14,595,000)	(26,790,000)	(52,965,000)	(8,515,000)	(125,170,000)
-	-	-	-	44,681,037	35,045,525	79,726,562
(366,709)	-	-	-	(168,887)	(629,058)	202,267
40,176,046	(2,931,954)	(22,344,035)	(7,446,392)	-	-	-
25,929,613	(2,931,954)	(37,598,285)	(39,826,914)	(78,004,563)	15,266,729	(108,950,447)
54,341,505	(986,920)	(6,244,051)	(134,377)	75,662,275	(1,599,286)	146,984,558
50,185,873	986,920	6,244,051	9,453,053	83,156,012	121,388,206	346,764,949
104,527,378	-	-	9,318,676	158,818,287	119,788,920	493,749,507
17,393,181	726,926	2,827,329	9,050,032	49,666,804	5,690,794	92,305,815
(8,470,159)	(98,462)	(1,320,098)	(4,389,910)	(42,343,601)	(7,887,870)	(73,935,490)
8,801	230	1,828,902	1,537,724	-	-	4,155,076
19,108,921	-	1,055,547	6,558,836	65,229,899	13,187,767	110,509,306
(28,949,647)	(628,696)	(4,522,368)	(13,390,215)	(78,292,491)	(13,207,052)	(143,997,664)
253,397	-	81,763	353,756	753,105	187,061	1,758,911
-	-	-	-	-	215,324	604,914
(655,506)	(2)	(48,925)	(279,777)	(4,986,284)	(1,813,976)	(8,599,132)

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

Authorizing Legislation

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

Reporting Entity

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

Programs

The Authority has established the following programs:

Local Communities

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

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

Industrial

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

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) Working Capital Fund

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

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

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

(c) Other Projects Fund – Unallocated Reserve

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

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

(d) Other Projects Fund – Interest Rate Management

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

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

(e) Other Projects Fund – Endowment Grant

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

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

(f) Other Projects Fund – Solid Waste

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

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

(Continued)

(g) Other Projects Fund – Local Economic Development

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

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

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 5 to 25 years with interest at 1.00 % to 6.62%.

(h) Other Projects Fund – Village Capital Improvements

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

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

(i) Other Projects Fund – Emergency Relief

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

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

As of December 31, 2007, the Authority has approved $4,981,166 in grant assistance to thirty-nine communities for damage caused by flooding in Ohio.

(Continued)

(j) Other Projects Fund – Dam Safety

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

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety Linked Deposit Program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2007 was $4,107,000.

(k) Other Projects Fund – Lake Erie Soil Erosion

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

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

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2007, two loans have been awarded from this account totaling $651,575 over 15 years with interest at 4.67% to 5.34%.

(l) Other Projects Fund – Security Assistance

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

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

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2007, two loans have been awarded from this account totaling $251,281 over 20 and 30 years.

(m) Other Projects Fund – Interest Rate Subsidy

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

(Continued)

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

(n) Rural Utility Services Fund

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

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.90% to 4.52%.

(o) Community Assistance Fund

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

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

Initial funding for the Community Assistance Fund was provided by a $15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997,Series 2003, and Series 2007. The Water Development Revenue Refunding Bonds–Community Assistance Series 2005 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

(Continued)

(p) Fresh Water Fund

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

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

The balance of Fresh Water construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 3.62% to 7.38%.

On December 1, 2004, the Refunding Fund and the Safe Water Refunding Fund (Prior Funds) were closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from the Prior Funds are deposited into the Cross-Collateralization account in the Fresh Water Fund are not pledged towards outstanding Fresh Water debt. The balance of the Prior Program loans is repaid by LGAs under terms of installment contracts over periods of 20 to 40 years with interest rates of 5.25% to 12%.

(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 1992 Series. The Water Development Revenue Refunding Bonds – Pure Water Series 2002A and Pure Water Series 2002B were issued for the purpose of refunding portions of outstanding Pure Water Series 1992 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

(r) Water Pollution Control Loan Fund

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

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

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

Year Awarded	Capitalization Grant	State Match
1989	$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1992	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
2005	60,663,240	12,132,648
2006	49,305,643	9,861,129
2007	60,252,687	12,050,537
Total	$ 1,470,392,304	294,082,027

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

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

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low-interest rate loans to qualified participants. The amount invested in this program as of December 31, 2007 was $13,845,000.

(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 0.00% to 4.66%. Repayments of project costs are restricted for the purpose of providing additional moneys for projects.

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

Year Awarded	Capitalization Grant	State Match
1998	$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
2007	24,671,000	4,934,200
Total	$ 288,428,400	57,685,680

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

(Continued)

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Cash and Cash Equivalents

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

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

(c) Investments

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

The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreements within the Fresh Water Fund and Pure Water Refunding Fund, see Notes 6 & 7, respectively.

(d) Due to and Due from Other Funds

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2007 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

(e) Loan Income as Defined by the Contracts

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

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

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

(g) Interfund Transfers/Net Assets

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) Capital Assets and Facilities

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

(Continued)

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	$ 538,676	–	–	538,676
Building (useful life: 20-45 years)	887,524	–	–	887,524
Capital Improvements (useful life: 20 years)	628,314	–	–	628,314
Other (useful life: 3-10 years)	1,448,400	5,130	–	1,453,530
Total capital assets	$ 3,502,914	5,130	–	3,508,044
Less: Accumulated Depreciation-Building	(155,728)	(37,494)	–	(193,222)
Less: Accumulated Depreciation-Cap Impr	(87,266)	(31,852)	–	(119,118)
Less: Accumulated Depreciation-Other	(1,336,249)	(47,608)	–	(1,383,857)
Capital Assets, at Depreciated Cost	$ 1,923,671	(111,824)	–	1,811,847

(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, 2007
- Noncurrent: Due after December 31, 2008
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

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

(j) Revenue and Expense Classifications

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

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

(k) Risk Management

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

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

During 2007, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

(2) CASH AND INVESTMENTS

As of December 31, 2007, the Authority's carrying amount of deposits was $21,056,198 and bank balance of deposits was $21,106,294. Of this amount, $303,696 was covered by federal depository insurance, and $20,802,598 was collateralized with securities held by the bank's agent but not in the Authority's name. The Authority's carrying amount of long-term nonnegotiable certificates of deposit as of December 31, 2007 was $18,014,289. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

As of December 31, 2007, the Authority had the following investments and maturities:

		Investment Maturity (in Years)			
Fund - Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	$ 5,995,823	3,616,280	2,379,543	-	-
Other Projects:					
U.S. Agencies	64,260,657	43,406,988	20,853,669	-	-
STAROhio	29,284,318	29,284,318	-	-	-
Money Market	2,519,035	2,519,035	-	-	-
	96,064,010	75,210,341	20,853,669	-	-
Rural Utility Services:					
STAROhio	12,729,914	12,729,914	-	-	-
Money Market	13,186,428	13,186,428	-	-	-
	25,916,342	25,916,342	-	-	-

Fund - Investment Type	Fair Value	Investment Maturity (in Years) - Continued Less than 1	1 - 5	6 - 10	More Than 10
Community Assistance:					
U.S. Treasuries	4,350,618	4,350,618	-	-	-
Investment Contract	3,943,502	-	-	-	3,943,502
STAROhio	12,506,932	12,506,932	-	-	-
Money Market	30,170,475	30,170,475	-	-	-
	50,971,527	47,028,025	-	-	3,943,502
Fresh Water:					
Repurchase Agreements	9,710,505	9,710,505	-	-	-
U.S. Treasuries	35,286,303	15,615,426	16,427,649	1,206,602	2,036,626
U.S. Agencies	29,618,259	10,842,379	18,393,336	-	382,544
Municipal Bonds	3,976,010	1,102,123	2,873,887	-	-
Collateralized Mortgage Oblig.	209,182	-	209,182	-	-
Investment Contract	5,477,555	-	-	-	5,477,555
STAROhio	59,642,381	59,642,381	-	-	-
Money Market	41,840,401	41,840,401	-	-	-
	185,760,596	138,753,215	37,904,054	1,206,602	7,896,725
Pure Water:					
U.S. Treasuries	22,452,020	2,611,818	19,020,556	819,646	-
U.S. Agencies	40,274,439	20,433,133	19,298,112	-	543,194
Municipal Bonds	2,126,428	335,547	1,790,881	-	-
Collateralized Mortgage Oblig.	191,355	-	191,355	-	-
STAROhio	3,520,198	3,520,198	-	-	-
Money Market	1,732,762	1,732,762	-	-	-
	70,297,202	28,633,458	40,300,904	819,646	543,194
Water Pollution Control Loan:					
Repurchase Agreements	29,705,723	29,705,723	-	-	-
U.S. Treasuries	104,474,960	29,277,018	73,746,502	859,005	592,435
U.S. Agencies	160,220,374	123,952,942	36,267,432	-	-
Municipal Notes	73,665,278	73,665,278	-	-	-
Investment Contract	215,716,682	173,269,589	-	-	42,447,093
STAROhio	125,702,493	125,702,493	-	-	-
Money Market	23,757,675	23,757,675	-	-	-
	733,243,185	579,330,718	110,013,934	859,005	43,039,528
Drinking Water Assistance:					
U.S. Agencies	10,589,571	1,812,599	6,041,445	2,735,527	-
Investment Contract	12,434,328	7,559,044	-	-	4,875,284
STAROhio	106,862,015	106,862,015	-	-	-
Money Market	10,989,125	10,989,125	-	-	-
	140,875,039	127,222,783	6,041,445	2,735,527	4,875,284

The Authority's repurchase agreements, U.S. Treasuries, U.S. Agencies, municipal bonds, and collateralized mortgage obligations are uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. As of December 31, 2007, the Authority's investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investments in repurchase agreements and investment contracts were unrated. The Authority's investments in municipal bonds and collateralized mortgage obligations were rated within the top two long-term categories by Moody's and/or Standard & Poor's. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAm by Standard & Poor's. The Authority's money market investments were rated AAAm by Standard & Poor's. As of December 31, 2007, 99.90% of the Authority's rated investments were rated in the highest short-term or long-term rating category.

As of December 31, 2007, the Authority had investment balances with the following issuers which are greater than or equal to 5% of the respective fund's investment balance:

Fund	Issuer	Percent of Fund's Investments
Operating	Federal Home Loan Bank	69%
	Federal Home Loan Mortgage Corporation	17%
	Federal National Mortgage Association	9%
	Federal Farm Credit Bank	5%
Other Projects	Federal Home Loan Bank	41%
	Federal Home Loan Mortgage Corporation	15%
	Federal National Mortgage Association	8%
Community Assistance	AIGMFC - Investment Contract	8%
Fresh Water	Federal Home Loan Mortgage Corporation	7%
	Morgan Stanley - Repurchase Agreements	5%
Pure Water Refunding	Federal Home Loan Mortgage Corporation	24%
	Federal National Mortgage Association	21%
	Federal Home Loan Bank	11%
Water Pollution Control Loan	AIGMFC - Investment Contracts	26%
	Federal National Mortgage Association	10%
	Federal Home Loan Bank	8%
Drinking Water Assistance	Trinity Plus Funding Investment Contract	5%

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

As of December 31, 2007, the Authority had cash and cash equivalents balances of $495,500,350, which includes accrued interest receivables on money market balances. Below is a reconciliation of Balance Sheet and Cash Flow cash and cash equivalents balances:

Fund		Balance Sheet Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Cash Flow Cash and Cash Equivalents Balance
Operating	$	249,111	-	249,111
Other Projects		31,926,014	(122,506)	31,803,508
Rural Utility Services		25,916,342	(88,741)	25,827,601
Community Assistance		43,567,477	(151,451)	43,416,026
Fresh Water		104,914,781	(387,403)	104,527,378
Pure Water Refunding		9,343,014	(24,338)	9,318,676
Water Pollution Control Loan		159,358,351	(540,064)	158,818,287
Drinking Water Assistance		120,225,260	(436,340)	119,788,920
	$	495,500,350	(1,750,843)	493,749,507

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which are caused by the timing of pending loan repayment allocations, consisted of $108,549 owed to the Operating Fund by the Drinking Water Assistance Fund on December 31, 2007

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

As of December 31, 2007, there was $31,000,000 of Water Development Revenue Notes—Rural Development Loan Advance Series 2006-A outstanding, as follows:

Interest Rate	Maturity		Long-Term
4.00%	December 1, 2009	$	3,100,000
5.00%	December 1, 2009		27,900,000
			31,000,000
	Add: unamortized premium		672,000
		$	31,672,000

The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2008	$	1,519,000	-
2009		1,392,417	31,000,000
Total	$	2,911,417	31,000,000

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

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

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

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

b) The Revenue account is to receive the federal assistance moneys.

c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.

d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2007, there is $567,217 liability for these notes.

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

As of December 31, 2007, there was $ 110,295,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2003	Serial	2.50% to 5.00%	2008-2017		1,715,000	11,840,000	13,555,000
	Term	4.625% to 5.00%	2014-2030		-	35,435,000	35,435,000
2005	Serial	3.00% to 5.25%	2008-2017		2,500,000	22,890,000	25,390,000
Ref.	Term	4.10% to 4.625%	2018-2024		-	11,365,000	11,365,000
2007	Serial	Variable	2008-2032		85,000	24,465,000	24,550,000
Community Assistance Fund Totals					4,300,000	105,995,000	110,295,000
			Add: unamortized premiums		-	2,736,127	2,736,127
			Less: deferred loss		-	(2,441,460)	(2,441,460)
				$	4,300,000	106,289,667	110,589,667

(Continued)

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

Interest

		2003 Series	2005 Series	2007 Series	Total
2008	$	2,202,838	1,594,041	994,276	4,791,155
2009		2,157,538	1,518,366	986,985	4,662,889
2010		2,103,313	1,437,129	964,609	4,505,051
2011		2,042,675	1,343,679	938,082	4,324,436
2012		1,975,231	1,236,885	909,731	4,121,847
2013-2017		8,534,275	4,177,350	4,260,501	16,972,126
2018-2022		5,607,250	1,532,423	3,717,800	10,857,473
2023-2027		2,675,159	132,494	2,820,523	5,628,176
2028-2032		480,375	-	1,456,279	1,936,654
		27,778,654	12,972,367	17,048,786	57,799,807

Principal

		2003 Series	2005 Series	2007 Series	Total
2008	$	1,715,000	2,500,000	85,000	4,300,000
2009		1,755,000	2,580,000	495,000	4,830,000
2010		1,815,000	2,655,000	635,000	5,105,000
2011		1,875,000	2,720,000	690,000	5,285,000
2012		1,950,000	2,690,000	740,000	5,380,000
2013-2017		11,115,000	12,245,000	2,090,000	25,450,000
2018-2022		12,605,000	8,895,000	3,520,000	25,020,000
2023-2027		10,730,000	2,470,000	5,555,000	18,755,000
2028-2032		5,430,000	-	10,740,000	16,170,000
		48,990,000	36,755,000	24,550,000	110,295,000

Total

		2003 Series	2005 Series	2007 Series	Total
2008	$	3,917,838	4,094,041	1,079,276	9,091,155
2009		3,912,538	4,098,366	1,481,985	9,492,889
2010		3,918,313	4,092,129	1,599,609	9,610,051
2011		3,917,675	4,063,679	1,628,082	9,609,436
2012		3,925,231	3,926,885	1,649,731	9,501,847
2013-2017		19,649,275	16,422,350	6,350,501	42,422,126
2018-2022		18,212,250	10,427,423	7,237,800	35,877,473
2023-2027		13,405,159	2,602,494	8,375,523	24,383,176
2028-2032		5,910,375	-	12,196,279	18,106,654
	$	76,768,654	49,727,367	41,598,786	168,094,807

(Continued)

The Community Assistance series 2007 bonds have an adjustable rate that is reset weekly at a rate determined by an auction process. The 2007 series interest payments to maturity are based on the rate for these bonds at December 31, 2007 which was 4.05%

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

a) Community Assistance Series 2003 – The term bonds are subject to mandatory redemption beginning June 1, 2014. Both the term and serial bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2013, or any interest payment date thereafter at par plus accrued interest.
b) Community Assistance Series 2005 – The term bonds are subject to mandatory redemption beginning December 1, 2018. The term bonds maturing on or after December 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2015, or any interest payment date thereafter at par plus accrued interest.
c) Community Assistance Series 2007 – The bonds are subject to optional redemption in whole or in part, by the Authority, on any business day that is the first business day following the end of an auction period.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Community Assistance project costs are insufficient to cover Community Assistance debt service requirements, unencumbered assets of the Community Assistance fund Debt Service Reserve, Surplus, and Construction accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of Community Assistance project costs was $10,016,975, compared to the required bond debt service payments of $8,402,306.

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, 2007, there is no accrued rebate liability for these bonds.

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

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

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

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

(Continued)

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

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

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

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

As of December 31, 2007, there was $412,775,000 of Fresh Water Development Revenue and Refunding Bonds and Notes outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
1998	Serial	5.25%	2008-2011	$	10,015,000	26,860,000	36,875,000
2001 A	Serial	4.00%	2008-2011		750,000	2,435,000	3,185,000
2001 A	Term	5.00% to 5.375%	2012-2017		-	4,445,000	4,445,000
2001 B	Serial	4.75% to 5.50%	2012-2021		-	52,175,000	52,175,000
2002	Serial	3.125% to 5.250%	2008-2012		3,710,000	15,590,000	19,300,000
	Term	4.75% to 5.375%	2013-2027		-	33,990,000	33,990,000
2004	Serial	3.50% to 5.00%	2008-2014		4,705,000	31,885,000	36,590,000
	Term	5.00% to 5.25%	2015-2022		-	46,805,000	46,805,000
2005	Serial	5.00% to 5.50%	2011-2025		-	103,310,000	103,310,000
2006	Term	5.25%	2023-2034		-	51,100,000	51,100,000
2007	Note	3.52%	2008		25,000,000	-	25,000,000
Fresh Water Fund Totals					44,180,000	368,595,000	412,775,000
		Add: unamortized premiums			-	25,453,515	25,453,515
		Less: deferred losses			-	(12,530,674)	(12,530,674)
				$	44,180,000	381,517,841	425,697,841

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

Interest

		1998 Series	2001 A&B Series	2002 Series	2004 Series
2008	$	1,805,606	3,219,825	2,498,894	4,041,320
2009		1,274,306	3,189,525	2,344,781	3,857,383
2010		723,844	3,158,025	2,177,344	3,642,570
2011		147,394	3,125,225	2,004,619	3,412,970
2012		-	3,005,634	1,832,719	3,169,608
2013-2017		-	9,208,047	6,109,106	11,603,765
2018-2022		-	1,712,600	4,478,063	3,684,900
2023-2027		-	-	2,042,500	-
2028-2032		-	-	-	-
2033-2034		-	-	-	-
		3,951,150	26,618,881	23,488,026	33,412,516

Interest (continued)

		2005 Series	2006 Series	2007 CP Series	Total Interest
2008	$	5,566,913	2,682,750	203,726	20,019,034
2009		5,566,913	2,682,750	-	18,915,658
2010		5,566,913	2,682,750	-	17,951,446
2011		5,566,913	2,682,750	-	16,939,871
2012		5,221,413	2,682,750	-	15,912,124
2013-2017		21,805,875	13,413,750	-	62,140,543
2018-2022		9,272,725	13,413,750	-	32,562,038
2023-2027		373,038	9,169,125	-	11,584,663
2028-2032		-	3,702,169	-	3,702,169
2033-2034		-	273,919	-	273,919
		58,940,703	53,386,463	203,726	200,001,465

Principal

		1998 Series	2001 A&B Series	2002 Series	2004 Series
2008	$	10,015,000	750,000	3,710,000	4,705,000
2009		10,395,000	780,000	3,845,000	4,860,000
2010		10,850,000	810,000	4,000,000	5,070,000
2011		5,615,000	845,000	3,870,000	5,210,000
2012		-	6,965,000	3,875,000	5,430,000
2013-2017		-	33,070,000	15,135,000	29,125,000
2018-2022		-	16,585,000	-	28,995,000
2023-2027		-	-	18,855,000	-
2028-2032		-	-	-	-
2033-2034		-	-	-	-
		36,875,000	59,805,000	53,290,000	83,395,000

Debt service requirements (continued):

		Principal (continued)			
		2005 Series	**2006 Series**	**2007 CP Series**	**Total Principal**
2008	$	-	-	25,000,000	44,180,000
2009		-	-	-	19,880,000
2010		-	-	-	20,730,000
2011		5,560,000	-	-	21,100,000
2012		5,470,000	-	-	21,740,000
2013-2017		34,355,000	-	-	111,685,000
2018-2022		53,355,000	3,035,000	-	101,970,000
2023-2027		4,570,000	24,785,000	-	48,210,000
2028-2032		-	18,435,000	-	18,435,000
2033-2034		-	4,845,000	-	4,845,000
		103,310,000	51,100,000	25,000,000	412,775,000

		Total			
		1998 Series	**2001 A&B Series**	**2002 Series**	**2004 Series**
2008	$	11,820,606	3,969,825	6,208,894	8,746,320
2009		11,669,306	3,969,525	6,189,781	8,717,383
2010		11,573,844	3,968,025	6,177,344	8,712,570
2011		5,762,394	3,970,225	5,874,619	8,622,970
2012		-	9,970,634	5,707,719	8,599,608
2013-2017		-	42,278,047	21,244,106	40,728,765
2018-2022		-	18,297,600	4,478,063	32,679,900
2023-2027		-	-	20,897,500	-
2028-2032		-	-	-	-
2033-2034		-	-	-	-
	$	40,826,150	86,423,881	76,778,026	116,807,516

		Total (continued)			
		2005 Series	**2006 Series**	**2007 CP Series**	**Total**
2008	$	5,566,913	2,682,750	25,203,726	64,199,034
2009		5,566,913	2,682,750	-	38,795,658
2010		5,566,913	2,682,750	-	38,681,446
2011		11,126,913	2,682,750	-	38,039,871
2012		10,691,413	2,682,750	-	37,652,124
2013-2017		56,160,875	13,413,750	-	173,825,543
2018-2022		62,627,725	16,448,750	-	134,532,038
2023-2027		4,943,038	33,954,125	-	59,794,663
2028-2032		-	22,137,169	-	22,137,169
2033-2034		-	5,118,919	-	5,118,919
	$	162,250,703	104,486,463	25,203,726	612,776,465

(Continued)

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

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

On September 14, 2006, the Authority entered into a twenty-year interest rate swap agreement for $103,310,000 of its Fresh Water Series Bonds. The effective date for this agreement is March 1, 2007. As a result of the agreement, the Authority receives interest payments from Morgan Stanley and UBS (the counterparties) based on 85.05% of the 10-year BMA swap rate and makes interest payments to the counterparties based on the weekly BMA Municipal Swap Index. As of December 31, 2007, the 10-year BMA swap rate was 3.53% and the weekly swap rate was 3.42%. The purpose of the swap is to allow the Authority to lower the net cost of borrowing for the Fresh Water Program. As of December 31, 2007, the swap had a positive fair value of $63,957, which was calculated using the par-value method. The risks associated with the swap are as follows:

a) Credit risk: As of December 31, 2007, the Authority was exposed to credit risk in the amount of the swap's value. If the credit rating of the counterparties should fall below A- by Moody's or A3 by Standard & Poor's, collateral equal to the value of the swap would be required to be posted by the counterparties. As of December 31, 2007, Morgan Stanley was rated Aa3 by Moody's and A+ by Standard & Poor's and UBS was rated Aa2 by Moody's and AA+ by Standard & Poor's.

b) Interest rate risk: The swap increases the Authority's exposure to interest rate risk. If the weekly BMA Municipal Swap Index were to be greater than 85.05% of the 10-year BMA swap rate, the Authority could have to make payments on the swap.

c) Termination risk: The swap may be terminated by the Authority or the counterparties for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the

(Continued)

Authority if the credit rating for the counterparties falls below Baa3 for Moody's or BBB- for Standard & Poor's. Should the swap be terminated, the Authority would either require payment from the counterparties or require the counterparties to assign its obligations under the swap to a substitute counterparty. If at termination the swap had a negative fair value, the Authority would be liable to the counterparties for a payment equal to the swap's fair value.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Fresh Water project costs are insufficient to cover Fresh Water debt service payments, unencumbered assets of the Fresh Water fund Debt Service Reserve, Surplus, Cross-Collateralization, and Construction accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of Fresh Water project costs was $59,560,419, compared to the required bond debt service payments of $38,879,724.

The bond resolution provides for six separate accounts designated as the Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2007, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

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

As of December 31, 2007, there was $103,035,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002A	Serial	5.00%	2008		3,435,000	-	3,435,000
2002B	Serial	Variable	2008-2018		500,000	99,100,000	99,600,000
Pure Water Fund Totals					3,935,000	99,100,000	103,035,000
		Add: unamortized premium			30,056	-	30,056
		Less: deferred losses			(450,379)	(5,240,391)	(5,690,770)
				$	3,514,677	93,859,609	97,374,286

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, 2007 was 3.50%.

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 (Series 2002B Bonds). As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a $3,010,263 swap exercise fee from BSFP when the swap was executed. The purpose of the swap was to allow the Authority to issue synthetic fixed rate debt to achieve a 5% savings on a current refunding of a portion of its Pure Water Refunding and Improvement Series Bonds. As of December 31, 2007, the swap had a negative fair value of $5,883,318, which was calculated using the Par-value method. The risks associated with the swap are as follows:

a) Credit risk: As of December 31, 2007, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard & Poor's as of December 31, 2007.

b) Basis risk: As of December 31, 2007, the Authority was not exposed to basis risk as the interest rate on the swap was equal to the rate on the Series 2002B Bonds. Should the rate on the Series 2002B Bonds be changed to anything other than a weekly reset, the expected savings of the swap transaction may not be realized.

c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard & Poor's. Should the swap be terminated, the Authority would either require BSFP to assign its obligations under the swap to a substitute counterparty or be exposed to variable rate interest on the Series 2002B Bonds. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

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

		Interest		
		2002 A Series	2002 B * Series	Total
2008	$	85,875	4,527,250	4,613,125
2009		-	4,288,375	4,288,375
2010		-	3,455,725	3,455,725
2011		-	2,670,850	2,670,850
2012		-	1,899,625	1,899,625
2013-2017		-	2,789,150	2,789,150
2018		-	34,125	34,125
		85,875	19,665,100	19,750,975

		Principal		
		2002 A Series	2002 B Series	Total
2008	$	3,435,000	500,000	3,935,000
2009		-	18,700,000	18,700,000
2010		-	17,400,000	17,400,000
2011		-	17,100,000	17,100,000
2012		-	16,500,000	16,500,000
2013-2017		-	28,400,000	28,400,000
2018		-	1,000,000	1,000,000
		3,435,000	99,600,000	103,035,000

		Total		
		2002 A Series	2002 B Series	Total
2008	$	3,520,875	5,027,250	8,548,125
2009			22,988,375	22,988,375
2010		-	20,855,725	20,855,725
2011		-	19,770,850	19,770,850
2012		-	18,399,625	18,399,625
2013-2017		-	31,189,150	31,189,150
2018		-	1,034,125	1,034,125
	$	3,520,875	119,265,100	122,785,975

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

(Continued)

The Pure Water Refunding Series 2002A bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Pure Water project costs are insufficient to cover Pure Water debt service payments, unencumbered assets of the Pure Water fund Debt Service Reserve and Surplus accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of Pure Water project costs was $41,037,299 compared to the required bond debt service payments of $32,380,522.

The bond resolution provides for five separate accounts designated as Pure Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, and Rebate account. As of October 14, 2007, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

(Continued)

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

As of December 31, 2007, there was $ 68,070,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—State Match Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2000	Serial	5.00% to 5.50%	2008-2012	$	5,310,000	13,620,000	18,930,000
2001	Serial	4.00% to 5.25%	2008-2016		8,225,000	27,320,000	35,545,000
2005	Serial	4.00% to 5.00%	2013-2015		-	7,390,000	7,390,000
2005	Term	5.25%	2016-2021		-	6,205,000	6,205,000
WPCLF State Match Series Totals					13,535,000	54,535,000	68,070,000
		Add: unamortized premiums			-	1,845,891	1,845,891
		Less: deferred losses			-	(3,847,456)	(3,847,456)
				$	13,535,000	52,533,435	66,068,435

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

a) State Match Series 2000 - The bonds maturing on or before June 1, 2010 are not subject to prior redemption. The bonds maturing on or after December 1, 2010 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2010, at par plus accrued interest.
b) State Match Refunding Series 2001 – The bonds maturing on or before December 1, 2012 are not subject to prior redemption. The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.
c) State Match Refunding Series 2005 – The term bonds are subject to mandatory sinking fund redemption beginning December 1, 2016. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

LGA reimbursements of Water Pollution Control Loan Fund (WPCLF) project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF interest project costs are insufficient to cover WPCLF State Match debt service payments, unencumbered assets of the WPCLF fund State Match Interest, Debt Service Reserve, and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of WPCLF interest project costs was $64,743,602 compared to the required bond debt service payments of $18,584,945.

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, 2007, there is a $12,576 accrued rebate liability for these bonds.

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

		Interest			
		2000 Series	**2001 Series**	**2005 Series**	**Total**
2008	$	939,800	1,588,720	670,163	3,198,683
2009		644,588	1,207,945	670,163	2,522,696
2010		388,150	864,120	670,163	1,922,433
2011		208,250	563,133	670,163	1,441,546
2012		91,000	353,158	670,163	1,114,321
2013-2017		-	303,978	2,104,088	2,408,066
2018-2021		-	-	295,181	295,181
		2,271,788	4,881,054	5,750,084	12,902,926

		Principal			
		2000 Series	**2001 Series**	**2005 Series**	**Total**
2008	$	5,310,000	8,225,000	-	13,535,000
2009		4,930,000	7,245,000	-	12,175,000
2010		3,815,000	6,175,000	-	9,990,000
2011		2,480,000	5,000,000	-	7,480,000
2012		2,395,000	3,810,000	-	6,205,000
2013-2017			5,090,000	10,520,000	15,610,000
2018-2021		-	-	3,075,000	3,075,000
		18,930,000	35,545,000	13,595,000	68,070,000

		Total			
		2000 Series	**2001 Series**	**2005 Series**	**Total**
2008	$	6,249,800	9,813,720	670,163	16,733,683
2009		5,574,588	8,452,945	670,163	14,697,696
2010		4,203,150	7,039,120	670,163	11,912,433
2011		2,688,250	5,563,133	670,163	8,921,546
2012		2,486,000	4,163,158	670,163	7,319,321
2013-2017		-	5,393,978	12,624,088	18,018,066
2018-2021		-	-	3,370,181	3,370,181
	$	21,201,788	40,426,054	19,345,084	80,972,926

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

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

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

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

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

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

(Continued)

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

As of December 31, 2007, there was $ 1,397,799,651 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
1997	Serial	5.00% to 5.25%	2008-2010	$	10,135,000	17,650,000	27,785,000
2002	Serial	3.50% to 5.25%	2008-2014		1,645,000	25,985,000	27,630,000
2003	Serial	4.00% to 5.25%	2008-2015		14,390,000	116,730,000	131,120,000
2004	Serial	2.50% to 5.00%	2008-2025		21,375,000	452,135,000	473,510,000
2004 ref	Serial	5.00%	2010-2014		-	63,655,000	63,655,000
2005 ref	Serial	5.25% to 5.50%	2015-2023		-	215,445,000	215,445,000
2005B	Serial	4.00% to 5.00%	2008-2025		9,205,000	352,315,000	361,520,000
2005 B	CABS*	4.06% to 4.45%	2012-2017		-	97,134,651	97,134,651
WPCLF Water Quality Series Totals					56,750,000	1,341,049,651	1,397,799,651
		Add: unamortized premiums			-	82,005,732	82,005,732
		Less: deferred losses			-	(27,208,046)	(27,208,046)
				$	56,750,000	1,395,847,337	1,452,597,337

CABS* - Capital Appreciation Bonds

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

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

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

		Interest			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2008	$	1,285,700	1,354,350	6,358,738	22,924,308
2009		743,750	1,291,438	5,618,238	22,242,995
2010		155,500	1,208,038	4,792,488	21,248,120
2011		-	1,100,663	3,983,338	19,972,495
2012		-	913,369	3,073,713	18,610,745
2013-2017		-	974,794	4,014,263	70,738,430
2018-2022		-	-	-	33,101,625
2023-2026		-	-	-	3,903,500
		2,184,950	6,842,652	27,840,778	212,742,218

		Interest (continued)			
		2004 Ref Series	**2005 Ref. Series**	**2005B Series**	**Total Interest**
2008	$	3,182,750	11,405,588	17,444,650	63,956,084
2009		3,182,750	11,405,588	16,919,100	61,403,859
2010		3,182,750	11,405,588	16,001,350	57,993,834
2011		2,691,875	11,405,588	15,044,600	54,198,559
2012		2,009,625	11,405,588	14,277,350	50,290,390
2013-2017		1,850,750	51,398,625	71,235,875	200,212,737
2018-2022		-	16,351,138	51,584,013	101,036,776
2023-2026		-	177,788	10,192,581	14,273,869
		16,100,500	124,955,491	212,699,519	603,366,108

		Principal			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2008	$	10,135,000	1,645,000	14,390,000	21,375,000
2009		11,430,000	1,985,000	16,065,000	19,605,000
2010		6,220,000	2,325,000	17,870,000	24,795,000
2011			3,230,000	18,275,000	26,900,000
2012		-	4,560,000	17,945,000	28,535,000
2013-2017		-	13,885,000	46,575,000	153,510,000
2018-2022		-	-	-	143,045,000
2023-2026		-	-	-	55,745,000
		27,785,000	27,630,000	131,120,000	473,510,000

Debt service requirements (continued):

		Principal (continued)			
		2004 Ref Series	**2005 Ref. Series**	**2005B Series (a)**	**Total Principal**
2008	$	-	-	9,205,000	56,750,000
2009		-	-	19,160,000	68,245,000
2010		6,465,000	-	18,525,000	76,200,000
2011		13,495,000	-	20,515,000	82,415,000
2012		14,145,000	-	22,280,000	87,465,000
2013-2017		29,550,000	92,785,000	122,085,000	458,390,000
2018-2022		-	118,350,000	159,165,000	420,560,000
2023-2026		-	4,310,000	120,805,000	180,860,000
		63,655,000	215,445,000	491,740,000	1,430,885,000

		Total			
		1997 Series	**2002 Series**	**2003 Series**	**2004 Series**
2008	$	11,420,700	2,999,350	20,748,738	44,299,308
2009		12,173,750	3,276,438	21,683,238	41,847,995
2010		6,375,500	3,533,038	22,662,488	46,043,120
2011		-	4,330,663	22,258,338	46,872,495
2012		-	5,473,369	21,018,713	47,145,745
2013-2017		-	14,859,794	50,589,263	224,248,430
2018-2022		-	-	-	176,146,625
2023-2026		-	-	-	59,648,500
	$	29,969,950	34,472,652	158,960,778	686,252,218

		Total (continued)			
		2004 Ref Series	**2005 Ref. Series**	**2005B Series (a)**	**Total**
2008	$	3,182,750	11,405,588	26,649,650	120,706,084
2009		3,182,750	11,405,588	36,079,100	129,648,859
2010		9,647,750	11,405,588	34,526,350	134,193,834
2011		16,186,875	11,405,588	35,559,600	136,613,559
2012		16,154,625	11,405,588	36,557,350	137,755,390
2013-2017		31,400,750	144,183,625	193,320,875	658,602,737
2018-2022		-	134,701,138	210,749,013	521,596,776
2023-2026		-	4,487,788	130,997,581	195,133,869
	$	79,755,500	340,400,491	704,439,519	2,034,251,108

(a) Includes capital appreciation bonds at matured value

LGA reimbursements of Water Pollution Control Loan Fund (WPCLF) project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF principal project costs are insufficient to cover WPCLF Water Quality debt service payments, unencumbered assets of the WPCLF fund Water Quality Debt Service Reserve, Surplus, and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of WPCLF principal project costs was $123,668,165, compared to the required bond debt service payments of $103,931,768.

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, 2007, 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.

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

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

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

As of December 31, 2007, there was $46,235,000 of Drinking Water Assistance Fund (DWAF) Revenue Bonds—State Match Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.00% to 5.00%	2008-2021	$	2,075,000	16,165,000	18,240,000
	Term	5.00%	2022-2023		-	115,000	115,000
2004	Serial	3.00% to 5.00%	2008-2013		2,520,000	11,545,000	14,065,000
	Term	4.25% to 5.00%	2014-2025		-	13,815,000	13,815,000
DWAF State Match Series Totals					4,595,000	41,640,000	46,235,000
		Add: unamortized premium (net)			-	1,217,379	1,217,379
				$	4,595,000	42,857,379	47,452,379

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

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

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

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

		Interest		
		2002 Series	**2004 Series**	**Total**
2008	$	791,494	1,269,638	2,061,132
2009		703,869	1,144,263	1,848,132
2010		624,569	1,033,938	1,658,507
2011		548,394	915,063	1,463,457
2012		474,556	800,188	1,274,744
2013-2017		1,365,806	2,641,388	4,007,194
2018-2022		213,750	780,350	994,100
2023-2025		375	53,763	54,138
		4,722,813	8,638,591	13,361,404

		Principal		
		2002 Series	**2004 Series**	**Total**
2008	$	2,075,000	2,520,000	4,595,000
2009		2,005,000	2,470,000	4,475,000
2010		1,915,000	2,395,000	4,310,000
2011		1,815,000	2,320,000	4,135,000
2012		1,710,000	2,230,000	3,940,000
2013-2017		6,585,000	9,425,000	16,010,000
2018-2022		2,235,000	5,560,000	7,795,000
2023-2025		15,000	960,000	975,000
		18,355,000	27,880,000	46,235,000

		Total		
		2002 Series	**2004 Series**	**Total**
2008	$	2,866,494	3,789,638	6,656,132
2009		2,708,869	3,614,263	6,323,132
2010		2,539,569	3,428,938	5,968,507
2011		2,363,394	3,235,063	5,598,457
2012		2,184,556	3,030,188	5,214,744
2013-2017		7,950,806	12,066,388	20,017,194
2018-2022		2,448,750	6,340,350	8,789,100
2023-2025		15,375	1,013,763	1,029,138
	$	23,077,813	36,518,591	59,596,404

LGA reimbursements of Drinking Water Assistance Fund (DWAF) project costs of interest only, not the principal, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF interest project costs are insufficient to cover DWAF State Match debt service payments, unencumbered assets of the DWAF fund State Match Debt Service Reserve, and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of DWAF interest project costs was $10,953,351, compared to the required bond debt service payments of $6,987,071.

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, 2007, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

(Continued)

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

As of December 31, 2007, there was $247,985,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds and Notes—Leverage Series outstanding, as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	4.00 to 5.375%	2008-2013	$	1,660,000	12,360,000	14,020,000
	Term	5.50%	2014		-	3,420,000	3,420,000
2004	Serial	2.50% to 5.00%	2008-2013		1,565,000	10,945,000	12,510,000
	Term	4.50% to 5.00%	2014-2025		-	51,660,000	51,660,000
2005	Serial	5.00% to 5.25%	2015-2023		-	18,705,000	18,705,000
Ref.	Term	5.25%	2019-2022		-	17,860,000	17,860,000
2005B	Serial	3.50% to 5.00%	2008-2026		1,775,000	21,670,000	23,445,000
	Term	4.50% to 5.00%	2016-2025		-	36,365,000	36,365,000
2006	Note	5.00%	2008		70,000,000	-	70,000,000
DWAF Leverage Series Totals					75,000,000	172,985,000	247,985,000
			Add: unamortized premiums		-	8,722,726	8,722,726
			Less: deferred loss		-	(2,463,120)	(2,463,120)
				$	75,000,000	179,244,606	254,244,606

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

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

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

c) Leverage Refunding Series 2005 – The term bonds are mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

d) Leverage Series 2005B – The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.

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

Interest

		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2008	$	767,431	2,876,200	1,910,175	2,732,200	5,259,722	13,545,728
2009		698,531	2,834,819	1,910,175	2,667,031	-	8,110,556
2010		619,331	2,783,775	1,910,175	2,589,188	-	7,902,469
2011		528,481	2,712,175	1,910,175	2,498,288	-	7,649,119
2012		415,528	2,597,425	1,910,175	2,397,388	-	7,320,516
2013-2017		431,722	11,282,450	8,784,588	9,992,838	-	30,491,598
2018-2022		-	6,787,700	3,157,481	6,338,131	-	16,283,312
2023-2026		-	1,152,825	19,688	1,651,238	-	2,823,751
		3,461,024	33,027,369	21,512,632	30,866,302	5,259,722	94,127,049

Principal

		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2008	$	1,660,000	1,565,000	-	1,775,000	70,000,000	75,000,000
2009		1,915,000	1,760,000	-	1,985,000	-	5,660,000
2010		2,180,000	1,975,000	-	2,210,000	-	6,365,000
2011		2,475,000	2,210,000	-	2,460,000	-	7,145,000
2012		2,735,000	2,535,000	-	2,715,000	-	7,985,000
2013-2017		6,475,000	15,405,000	12,735,000	14,915,000	-	49,530,000
2018-2022		-	23,655,000	23,080,000	17,160,000	-	63,895,000
2023-2026		-	15,065,000	750,000	16,590,000	-	32,405,000
		17,440,000	64,170,000	36,565,000	59,810,000	70,000,000	247,985,000

Total

		2002 Series	2004 Series	2005 Series	2005B Series	2006 Series	Total
2008	$	2,427,431	4,441,200	1,910,175	4,507,200	75,259,722	88,545,728
2009		2,613,531	4,594,819	1,910,175	4,652,031	-	13,770,556
2010		2,799,331	4,758,775	1,910,175	4,799,188	-	14,267,469
2011		3,003,481	4,922,175	1,910,175	4,958,288	-	14,794,119
2012		3,150,528	5,132,425	1,910,175	5,112,388	-	15,305,516
2013-2017		6,906,722	26,687,450	21,519,588	24,907,838	-	80,021,598
2018-2022		-	30,442,700	26,237,481	23,498,131	-	80,178,312
2023-2026		-	16,217,825	769,688	18,241,238	-	35,228,751
	$	20,901,024	97,197,369	58,077,632	90,676,302	75,259,722	342,112,049

LGA reimbursements of Drinking Water Assistance Fund (DWAF) project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF principal project costs are insufficient to cover DWAF Leverage debt service payments, unencumbered assets of the DWAF fund Leverage Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2007, the amount received from reimbursements of DWAF principal project costs was \$16,547,417, compared to the required bond debt service payments of \$12,162,667.

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, 2007, there is a \$207,214 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.

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

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

(12) OUTSTANDING DEFEASED BONDS

For accounting purposes, the assets and liabilities for defeased bonds are not reflected in the Authorities financial statements. Below is a listing of Authority bonds remaining outstanding as of 12/31/2007 which has been defeased:

Series	Year Defeased	Balance Outstanding
Pollution Abatement Series II	1979	$2,300,000
Safe Water Series II & III	1985	19,940,000
Pure Water Series 1989 & 1990	1992	40,475,000
Fresh Water 1995	1998	21,110,000
Fresh Water 1998, 2001 & 2002	2005	110,550,000
Fresh Water 2004	2006	55,055,000
WPCLF State Match Series 2000	2005	14,075,000
WPCLF Water Quality Series 2002	2005	162,450,000
DWAF Leverage Series 2002	2005	37,500,000
		$ 463,455,000

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

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2007, outstanding bonds and notes under this program total $2,284,405,000.

(14) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system that administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2007, 2006, and 2005 were approximately $994,000, $995,000, and $905,000, respectively. In 2007, the employee and employer contribution rates were 9.50% and 13.77%, respectively, for all Authority employees. Total required employer contributions were approximately $137,000, $135,000, and $120,500 for the years ending December 31, 2007, 2006 and 2005, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

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

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

Postretirement Healthcare

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

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

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

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The Authority's 2007 employer contributions made to fund post-employment benefits were $55,439, covering 18 participants. The Authority's 2006 and 2005 contributions to fund post employment benefits were $44,867 (20 participants) and $36,210 (20 participants), respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

OPEB are advance-funded using the individual entry-age actuarial cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5%, an annual increase in total payroll for active employees of 4.0% compounded annually for inflation, and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Healthcare premiums were assumed to increase at the projected wage inflation rate (4.0%)

plus an additional factor ranging from .50% to 6% for the next nine years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Net assets available for payment of benefits at December 31, 2006 (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were $30.7 billion and $18.7 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investments annually

(15) COMMITMENTS

As of December 31, 2007, the Authority has loan commitments to finance LGA construction projects in the following amounts:

Fund		Amount
Other Projects	$	6,758,807
Rural Utility Services		6,870,890
Community Assistance		14,202,030
Fresh Water		99,107,469
Water Pollution Control Loan		460,458,903
Drinking Water Assistance		76,268,174
	$	663,666,273

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.

(16) TRANSFERS

Interfund transfers for the year ended December 31, 2007 consisted of the following:

Transfer from Working Capital to:		
Fresh Water		(133,133)
Refunding		(278,947)
	$	(412,080)
Transfers from Other Projects to:		
Fresh Water		(4,086,813)
Refunding		(231)
Safe Water Refunding		(1,828,898)
Pure Water Refunding		(1,537,723)
	$	(7,453,665)

Transfers to Fresh Water from:		
Working Capital		133,133
Other Projects		4,086,813
Refunding		13,674,059
Safe Water Refunding		62,682,655
Pure Water Refunding		8,984,115
	$	89,560,775
Transfers to (from) Refunding from (to):		
Working Capital		278,947
Other Projects		231
Fresh Water		(13,674,059)
	$	(13,394,881)
Transfers to (from) Safe Water Refunding from (to):		
Other Projects		1,828,898
Fresh Water		(62,682,655)
	$	(60,853,757)
Transfers to (from) Pure Water Refunding from (to):		
Other Projects		1,537,723
Fresh Water		(8,984,115)
	$	(7,446,392)
Total Transfers, net	$	–

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2007, the Authority made the following non-routine transfers:

a) $11,700,000 from the Other Projects Fund to the Fresh Water Fund for additional funding for Fresh Water loans.

b) $8,000,000 from the Fresh Water Fund to the Other Projects Fund for additional funding for the Local Economic Development and Brownfield accounts.

c) $48,966,000 from the Refunding and Safe Water Refunding funds to the Fresh Water Fund as a result of the Refunding and Safe Water Refunding Funds being closed.

(17) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2007, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2006 Balance	Additions	Reductions	12/31/2007 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	$ 160,619	21,684	2,711	179,592	-	179,592
Revenue Bonds and Notes Payable	2,566,950,109	24,550,000	130,803,558	2,460,696,551	176,874,677	2,283,821,874
Total Long-Term Liabilities	$2,567,110,728	24,571,684	130,806,269	2,460,876,143	176,874,677	2,284,001,466

(18) CHANGES IN SHORT-TERM LIABILITIES

As of December 31, 2007, the Authority has short-term liabilities in the following amounts:

Short-Term Liability	12/31/2006 Balance	Additions	Reductions	12/31/2007 Balance
Fresh Water Revenue Notes Payable	-	25,000,000	-	25,000,000
Total Short-Term Liabilities	-	25,000,000	-	25,000,000

(19) CHANGES IN ACCOUNTING PRINCIPAL

For the fiscal year 2007, the Authority implemented the provision of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension,* which establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers. The implementation of GASB Statement No. 45 did not require the Authority to restate any prior year balances.

During 2007, the Authority implemented the provisions of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* which establishes disclosure guidance pertaining to future revenues that have been pledged or sold. This disclosure provides financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The implementation of GASB Statement No. 48 did not require the Authority to restate any prior year balances.

(20) SUBSEQUENT EVENT

Since December 31, 2007, the Authority has issued additional debt. On March 19, 2008, the Authority issued $24,550,000 in Community Assistance Water Development Refunding Revenue Notes – Series 2008A. On March 12, 2008 the Authority issued $25,000,000 in Fresh Water Commercial Paper – Series 2008C. As these notes were not issued until 2008, there are not included in the short-term or long-term debt of the Authority as of December 31, 2007.

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Clark, Schaefer, Hackett & Co.
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 24, 2008

Mary Taylor, CPA
Auditor of State

OHIO WATER DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 29, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us