OHIO WATER
DEVELOPMENT AUTHORITY

Financial Statements

December 31, 2013

(With Independent Auditors' Report Thereon)

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

April 8, 2014

OHIO WATER DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Combining Financial Statements:
- Statement of Net Position 8
- Statement of Revenues, Expenses and Changes in Net Position 10
- Statement of Cash Flows 12
- Notes to Financial Statements 14

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 51

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
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 Ohio Water Development Authority, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 26, 2014

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2013

As management of the Ohio Water Development Authority (the Authority), a related organization of the State of Ohio, we offer readers of the Authority's financial statements this unaudited narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements, which begin on page 8 of this report.

Financial Highlights

- The Authority's net position increased by $211,861,857 or 5.96%.
- The Authority's loans receivable increased by $256,571,492 or 5.37%.
- The Authority's loan income decreased by $4,754,830 or 3.21%.
- The Authority's loan principal forgiveness decreased by $14,451,543 or 31.31%.
- The Authority's interest on bonds and notes expense decreased by $5,787,475 or 5.43%.
- The Authority's investment income decreased by $1,175,895 or 13.34%.

Overview of the Financial Statements

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

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

The *combining statement of net position* presents information on all of the Authority's assets, deferred outflows of resources and liabilities, including information about the nature and amounts of investments in resources (assets and deferred outflows of resources), the obligations (liabilities) of the Authority and the Authority's net position as of December 31, 2013. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements. The notes to financial statements can be found on pages 14-49 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 2013 and 2012, respectively.

The following table summarizes changes in net position of the Authority between December 31, 2013 and December 31, 2012:

Condensed Statement of Net Position

(all amounts expressed in thousands of dollars)

	2013	2012	Dollar Change	Total Percent Change
Current assets	$ 103,447	$ 86,401	$ 17,046	19.73%
Noncurrent restricted assets	6,394,971	6,186,809	208,162	3.36%
Noncurrent unrestricted assets	115,180	81,556	33,624	41.23%
Capital assets	1,360	1,415	(55)	(3.89%)
Total assets	6,614,958	6,356,181	258,777	4.07%
Loss on refunding	78,472	91,521	(13,049)	(14.26%)
Advance of loan interest	59,560	51,885	7,675	14.79%
Total deferred outflows of resources	138,032	143,406	(5,374)	(3.75%)
Total assets and deferred outflows of resources	$6,752,990	$6,499,587	$253,403	3.90%
Current liabilities	$ 325,549	$ 305,460	$ 20,089	6.58%
Noncurrent revenue bonds and notes payable	2,659,230	2,637,768	21,462	0.81%
Other noncurrent liabilities	222	233	(11)	(4.72%)
Total liabilities	2,985,001	2,943,461	41,540	1.41%
Net position:				
Net investment in capital assets	1,360	1,415	(55)	(3.89%)
Restricted	3,576,588	3,388,775	187,813	5.54%
Unrestricted	190,041	165,936	24,105	14.53%
Total net position	3,767,989	3,556,126	211,863	5.96%
Total liabilities and net position	$6,752,990	$6,499,587	$253,403	3.90%

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by $3,767,988,301 as of December 31, 2013, $3,576,587,748 of which is restricted for debt and grant covenants.

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

During fiscal year 2013, the Authority's net position increased by $211,861,857 or 5.96%. The majority of this increase was due to the following:

- A $256,571,492 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A $26,648,528 increase in bonds and notes payable caused by the issuance of new debt.
- A $19,523,148 decrease in cash, cash equivalents and investments caused by the lending of bond proceeds and repayment of bonds payable.

The following table summarizes the changes in revenues and expenses for the Authority between 2013 and 2012:

Condensed Statement of Revenues, Expenses and Changes in Net Position

(all amounts expressed in thousands of dollars)

	2013	2012	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	$143,350	$148,105	$ (4,755)	(3.21%)
Investment income	7,639	8,815	(1,176)	(13.34%)
Administrative fees from projects	2,931	2,827	104	3.68%
Total operating revenues	153,920	159,747	(5,827)	(3.65%)
Operating expenses:				
Interest on bonds and notes	100,763	106,551	(5,788)	(5.43%)
Bond and note issuance expense	1,469	643	826	128.46%
Loan principal forgiveness	31,700	46,151	(14,451)	(31.31%)
Other	15,354	15,559	(205)	(1.32%)
Total operating expenses	149,286	168,904	(19,618)	(11.61%)
Operating income (loss)	4,634	(9,157)	13,791	150.61%
Nonoperating other revenues (expenses)	(146)	(16)	(130)	(812.50%)
Contribution from U.S. EPA	207,374	316,284	(108,910)	(34.43%)
Change in net position	$211,862	$307,111	$(95,249)	(31.01%)

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, 2013, the Authority had operating income of $4,633,314 compared to an operating loss of $9,157,157 in 2012, an increase of $13,790,471 or 150.61%. This increase in operating income was primarily attributed to a $14,451,543 decrease in loan principal forgiveness, a $5,787,475 decrease in interest on bonds and notes and a $4,754,830 decrease in loan income.

Debt Administration

As of December 31, 2013, the Authority had bonds and notes principal outstanding of $2,881,730,082. 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 2013 and 2012.

Outstanding Debt at December 31, 2013 and December 31, 2012
(net of discount and premiums)

(all amounts expressed in thousands of dollars)

		2013	2012
Revenue Bonds	$	2,681,730	2,805,082
Revenue Notes		200,000	50,000
Total	$	2,881,730	2,855,082

During 2013, 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—Fresh Water Series 2013
- Water Pollution Control Loan Fund Bond Anticipation Notes—State Match Series 2013
- Water Pollution Control Loan Fund Revenue Floating Rate Notes—Water Quality Series 2013-2014

During 2013, the Authority issued the following bonds for the purpose of refinancing some of its existing debt to take advantage of favorable interest rates:

- Water Development Revenue Bonds—Community Assistance Series 2013 were issued to partially advance refund previously outstanding Community Assistance Series 2005 Bonds. Also, included in this transaction was the cash defeasance of the outstanding Community Assistance Series 2003 Bonds. This transaction enabled the Authority to achieve a total economic gain of $5,782,006.

The Authority continues to maintain strong ratings from Moody's, Standard & Poor's and Fitch. The table below summarizes the ratings from Moody's, Standard & Poor's and Fitch for the 2013 bond and note issuances of the Authority.

Bond or Note Series	Moody's	Standard & Poor's	Fitch
Community Assistance Bonds	Aa1	—	AA+
Fresh Water Bonds	Aaa	AAA	—
WPCLF – State Match Notes	MIG 1	SP-1+	—
WPCLF – Water Quality Notes	—	AAA	—

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 31-45 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 toll-free (877)OWDA-123, or visit the Authority's website at www.owda.org.

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Net Position

December 31, 2013

		Trusteed Funds			
Assets		Operating Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Current assets:					
Cash and cash equivalents -- Note 2	$	370,996	47,251,655	4,634,484	-
Investments -- Note 2		1,357,878	40,258,997	6,273,611	-
Receivables:					
Loan and fee receivables		763,219	2,532,495	-	-
Other		3,283	-	-	-
Total current assets		2,495,376	90,043,147	10,908,095	-
Noncurrent assets:					
Restricted grant, bond and note covenant assets:					
Cash and cash equivalents -- Note 2		-	-	-	5,344,647
Investments -- Note 2		-	-	-	25,569,667
Loan receivables		-	-	-	196,735,472
Total noncurrent restricted assets		-	-	-	227,649,786
Investments -- Note 2		779,606	25,242,129	5,756,342	-
Loan receivables		-	50,424,260	1,363,180	-
Other receivables		-	-	-	46,708
Due from other funds -- Note 3		37,753	20,343	-	-
Capital assets, at depreciated cost		1,359,827	-	-	-
Total noncurrent unrestricted assets		2,177,186	75,686,732	7,119,522	46,708
Total assets		4,672,562	165,729,879	18,027,617	227,696,494
Deferred Outflows of Resources					
Loss on refunding		-	-	-	3,956,569
Advance of loan interest		-	-	-	-
Total deferred outflows of resources		-	-	-	3,956,569
Total assets and deferred outflows of resources	$	4,672,562	165,729,879	18,027,617	231,653,063
Liabilities					
Current liabilities:					
Accounts payable	$	131,234	829,689	229,543	-
Compensated absences		13,766	-	-	-
Total current liabilities		145,000	829,689	229,543	-
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3		-	-	-	20,343
Accounts payable		-	-	-	1,342,077
Accrued interest		-	-	-	347,952
Revenue bonds payable, net of premiums		-	-	-	8,635,188
Total current liabilities payable from restricted assets		-	-	-	10,345,560
Noncurrent liabilities:					
Compensated absences		222,414	-	-	-
Revenue bonds and notes payable (net of discounts and premiums)		-	-	-	87,097,965
Total noncurrent liabilities		222,414	-	-	87,097,965
Total liabilities		367,414	829,689	229,543	97,443,525
Net Position					
Net investment in capital assets		1,359,827	-	-	-
Restricted for debt and grant covenants		-	-	-	134,209,538
Unrestricted		2,945,321	164,900,190	17,798,074	-
Total net position		4,305,148	164,900,190	17,798,074	134,209,538
Total liabilities and net position	$	4,672,562	165,729,879	18,027,617	231,653,063

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2013
-	-	-	52,257,135
-	-	-	47,890,486
-	-	-	3,295,714
-	-	-	3,283
-	-	-	103,446,618
19,806,437	80,369,831	22,695,447	128,216,362
230,535,243	896,174,160	132,307,127	1,284,586,197
987,303,095	3,221,165,746	576,964,525	4,982,168,838
1,237,644,775	4,197,709,737	731,967,099	6,394,971,397
-	-	-	31,778,077
-	-	-	51,787,440
1,275,841	30,167,422	66,846	31,556,817
-	-	-	58,096
-	-	-	1,359,827
1,275,841	30,167,422	66,846	116,540,257
1,238,920,616	4,227,877,159	732,033,945	6,614,958,272
15,381,325	48,759,198	10,375,170	78,472,262
-	59,559,445	-	59,559,445
15,381,325	108,318,643	10,375,170	138,031,707
1,254,301,941	4,336,195,802	742,409,115	6,752,989,979
-	-	-	1,190,466
-	-	-	13,766
-	-	-	1,204,232
-	-	37,753	58,096
14,083,633	69,531,569	6,971,501	91,928,780
2,344,061	6,157,084	1,008,977	9,858,074
40,160,000	151,881,621	21,823,197	222,500,006
56,587,694	227,570,274	29,841,428	324,344,956
-	-	-	222,414
567,924,474	1,763,333,254	240,874,383	2,659,230,076
567,924,474	1,763,333,254	240,874,383	2,659,452,490
624,512,168	1,990,903,528	270,715,811	2,985,001,678
-	-	-	1,359,827
625,392,632	2,345,292,274	471,693,304	3,576,587,748
4,397,141	-	-	190,040,726
629,789,773	2,345,292,274	471,693,304	3,767,988,301
1,254,301,941	4,336,195,802	742,409,115	6,752,989,979

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2013

		Trusted Funds				
		Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Operating revenues:						
Loan income	$	-	908	1,425,171	23,187	3,254,827
Investment income		9,074	-	235,680	13,332	19,523
Administrative fees from projects		2,123,674	-	-	-	-
Total operating revenues		2,132,748	908	1,660,851	36,519	3,274,350
Operating expenses:						
Interest on bonds and notes		-	-	-	-	4,310,537
Bond and note issuance expense		-	-	-	-	124,924
Loan principal forgiveness		-	-	64,300	-	-
Other		2,801,031	-	3,062,950	-	45,229
Total operating expenses		2,801,031	-	3,127,250	-	4,480,690
Operating income (loss)		(668,283)	908	(1,466,399)	36,519	(1,206,340)
Nonoperating other revenues (expenses)		-	-	-	-	-
Income (loss) before contributions and transfers		(668,283)	908	(1,466,399)	36,519	(1,206,340)
Contribution from U.S. EPA		-	-	-	-	-
Transfers in (out), net -- Note 14		19	(20,834)	30,274,259	-	12,725,625
Change in net position		(668,264)	(19,926)	28,807,860	36,519	11,519,285
Net position at beginning of year		4,973,412	19,926	136,092,330	17,761,555	122,690,253
Net position at end of year	$	4,305,148	-	164,900,190	17,798,074	134,209,538

See accompanying notes to financial statements.

	Trusteed Funds		
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2013
43,244,075	80,561,731	14,839,788	143,349,687
1,696,893	5,318,223	346,347	7,639,072
-	-	807,330	2,931,004
44,940,968	85,879,954	15,993,465	153,919,763
20,303,387	65,804,790	10,344,610	100,763,324
833,824	459,336	51,000	1,469,084
-	20,251,547	11,383,908	31,699,755
806,583	5,007,596	3,630,897	15,354,286
21,943,794	91,523,269	25,410,415	149,286,449
22,997,174	(5,643,315)	(9,416,950)	4,633,314
3,000	(149,033)	-	(146,033)
23,000,174	(5,792,348)	(9,416,950)	4,487,281
-	153,524,596	53,849,980	207,374,576
(42,980,345)	-	1,276	-
(19,980,171)	147,732,248	44,434,306	211,861,857
649,769,944	2,197,560,026	427,258,998	3,556,126,444
629,789,773	2,345,292,274	471,693,304	3,767,988,301

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2013

		Trusted Funds				
		Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund	Community Assistance Fund (Note 4)
Operating activities:						
Administrative fees from projects	$	1,611,011	-	-	-	-
Operating expenses		(777,370)	-	(337,726)	-	(31,100)
Salaries and fringes expense		(1,961,497)	-	-	-	-
Net cash (used) by operating activities		(1,127,856)	-	(337,726)	-	(31,100)
Investing activities:						
Proceeds from maturity or sale of investments		939,971	-	151,880,285	10,858,279	41,514,593
Purchase of investments		(120,000)	-	(137,556,390)	(12,110,475)	(33,833,728)
Interest received on investments, net of purchased interest		22,621	-	447,920	170,823	608,519
Interest received on projects		-	-	1,349,688	-	3,132,602
Principal collected on projects		-	-	4,163,487	6,849,674	10,020,957
Payment for construction of projects		-	-	(9,379,993)	(2,497,466)	(10,058,714)
Net cash provided (used) by investing activities		842,592	-	10,904,997	3,270,835	11,384,229
Noncapital financing activities:						
Interest paid on bonds and notes, net of purchased interest		-	-	-	-	(4,549,660)
Proceeds of bonds and notes		-	-	-	-	12,420,000
Bond and note issuance expense		-	-	-	-	(124,924)
Redemption of bonds and notes		-	-	-	-	(31,914,858)
Contribution from U.S. EPA		-	-	-	-	-
Other		356,537	-	(628,745)	-	(1,753,807)
Transfers (to) from other funds		19	-	30,274,259	-	12,725,625
Net cash provided (used) by noncapital financing activities		356,556	-	29,645,514	-	(13,197,624)
Net increase (decrease) in cash and cash equivalents		71,292	-	40,212,785	3,270,835	(1,844,495)
Cash and cash equivalents at beginning of year		299,704	-	7,038,748	1,363,614	7,189,111
Cash and cash equivalents at end of year -- Note 2	$	370,996	-	47,251,533	4,634,449	5,344,616
Reconciliation of operating income (loss) to net cash (used) by operating activities:						
Operating income (loss)	$	(668,283)	908	(1,466,399)	36,519	(1,206,340)
Adjustments:						
Investment income		(9,074)	-	(235,680)	(13,332)	(19,523)
Operating expenses		76,409	-	2,789,524	-	14,129
Interest on bonds and notes		-	-	-	-	4,310,537
Loan and loan fee income		(512,663)	(908)	(1,425,171)	(23,187)	(3,254,827)
Amortization of bond and note issuance expense		-	-	-	-	124,924
Net change in other assets and other liabilities		(14,245)	-	-	-	-
Net cash (used) by operating activities	$	(1,127,856)	-	(337,726)	-	(31,100)

See accompanying notes to financial statements.

	Trusteed Funds		
Fresh Water Fund (Note 5)	Water Pollution Control Loan Fund (Notes 6 & 7)	Drinking Water Assistance Fund (Notes 8 & 9)	Total Combining 2013
-	-	950,329	2,561,340
(462,687)	(5,016,113)	(2,780,179)	(9,405,175)
-	-	-	(1,961,497)
(462,687)	(5,016,113)	(1,829,850)	(8,805,332)
296,776,794	1,129,202,305	154,585,324	1,785,757,551
(370,060,981)	(1,107,450,446)	(139,730,794)	(1,800,862,814)
2,717,608	13,383,640	1,738,805	19,089,936
43,168,358	79,463,590	14,783,979	141,898,217
64,906,643	209,965,243	34,767,424	330,673,428
(89,139,122)	(413,677,472)	(88,852,903)	(613,605,670)
(51,630,700)	(89,113,140)	(22,708,165)	(137,049,352)
(23,696,007)	(69,611,419)	(12,184,066)	(110,041,152)
132,019,705	185,152,250	-	329,591,955
(833,824)	(415,408)	(51,000)	(1,425,156)
(39,095,000)	(180,690,000)	(27,270,000)	(278,969,858)
-	126,805,312	58,716,511	185,521,823
(12,562)	29,466	8,625	(2,000,486)
(43,001,179)	-	1,276	-
25,381,133	61,270,201	19,221,346	122,677,126
(26,712,254)	(32,859,052)	(5,316,669)	(23,177,558)
46,518,496	113,228,234	28,012,007	203,649,914
19,806,242	80,369,182	22,695,338	180,472,356
22,997,174	(5,643,315)	(9,416,950)	4,633,314
(1,696,893)	(5,318,223)	(346,347)	(7,639,072)
343,896	20,243,030	12,234,626	35,701,614
20,303,387	65,804,790	10,344,610	100,763,324
(43,244,075)	(80,561,731)	(14,839,788)	(143,862,350)
833,824	459,336	51,000	1,469,084
-	-	142,999	128,754
(462,687)	(5,016,113)	(1,829,850)	(8,805,332)

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

Authorizing Legislation

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

Reporting Entity

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which defines financial accountability. The criteria for determining financial accountability include the following circumstances:

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

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

Programs

The Authority has established the following programs:

Local Communities

The Authority has established financing programs to provide loans to local communities in the State of Ohio for the construction of sewage and related water treatment facilities. These programs are accounted for in various funds, which are described in the following paragraphs.

These loans provide for the financing of project construction costs. Revenue from the underlying project is pledged toward repayment of the loan.

The Authority's initial funding of the program came from a $100,000,000 appropriation, all of which has been designated for use, from the State of Ohio. Subsequent funding of its programs has come from the issuance by the Authority of bonds and notes as well as federal capitalization grants.

Industrial

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

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) 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.

(Continued)

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

All payments received from LGAs for project costs, interest and maturities of investments are deposited in the accounts of the Fresh Water Fund. As of 12/31/2013, all working capital loans have been repaid.

(c) Other Projects Fund – Unallocated Reserve

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

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

(d) Other Projects Fund – Interest Rate Management

The Interest Rate Management Account was established during 2004 by a resolution of the Authority and is administered by a Trustee. Initial funding for the Interest Rate Management Account was provided by the proceeds received on an interest rate swap agreement the Authority terminated in 2009.

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

(e) Other Projects Fund – Endowment Grant

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

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

(f) Other Projects Fund – Solid Waste

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

The purpose of the account is to provide financing to local governments in Ohio for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects and landfills. The balance of the construction costs are to be repaid by the solid waste facilities under terms of installment contracts over 10 to 20 years with interest at 5.33% to 5.70%.

(g) Other Projects Fund – Local Economic Development

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

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

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

(h) Other Projects Fund – Village Capital Improvements

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

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

(i) Other Projects Fund – Emergency Relief

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

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

As of December 31, 2013, the Authority has approved $5,015,694 in grant assistance to forty one communities for damage caused by flooding in Ohio.

(j) Other Projects Fund – Dam Safety

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

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety Linked Deposit Program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2013 was $1,644,686.

(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, 2013, two loans are outstanding from this account totaling $661,000 over 15 years with interest at 4.67% to 5.34%.

(l) Other Projects Fund – Security Assistance

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

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

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2013, two loans have been awarded from this account totaling $251,281 over 20 and 30 years.

(m) Other Projects Fund – Interest Rate Subsidy

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

The purpose of the account is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's Fresh Water, Refunding (which was also consolidated into the Fresh Water Fund in 2007), Safe Water Refunding and Pure Water Refunding programs whose loan interest rates exceed 7.00%. The subsidy provided by this account reduces the effective interest rate on these loans to 7.00% beginning with the loan repayment due on January 1, 2004.

(n) Other Projects Fund – Unsewered Area Planning Loan Program

The Unsewered Area Planning Loan Program Account was established during 2009 by a resolution of the Authority and is administered by a Trustee. The Authority committed $10,000,000 to the Unsewered Area Planning Loan Program Account. As of December 31, 2013, $4,634,374 in funding has been provided by transfers from the Dam Safety Account.

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

(o) Other Projects Fund – Unsewered Area Assistance Program

The Unsewered Area Assistance Program Account was established during 2013 by a resolution of the Authority and is administered by a Trustee.

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

(p) Other Projects Fund – Alternative Stormwater Infrastructure Loan Program

The Alternative Stormwater Infrastructure Loan Program was established during 2013 by a resolution of the Authority and is administered by a Trustee. As of December 31, 2013, the Authority has not committed any funds to the Alternative Stormwater Infrastructure Loan Program Account.

The purpose of the program is to provide loans to reduce stormwater run-off and mitigate flooding.

(q) 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 1.05% to 1.09%.

(r) Community Assistance Fund

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

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

Initial funding for the Community Assistance Fund was provided by a $15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997, Series 2003, Series 2007, Series 2010A and Series 2010B. The Water Development Revenue Refunding Bonds—Community Assistance Series 2005 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. The Water Development Revenue Refunding Bond Anticipation Notes, Series 2008A and Series 2008B, were issued to refund the Community Assistance Series 2007 Bonds. The Water Development Revenue Refunding Bonds—Community Assistance Series 2009 Bonds were issued to refund the Community Assistance Series 2008B Bond Anticipation Notes. The Water Development Revenue Refunding Bonds—Community Assistance Series 2011 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 2003 Bonds. The Water Development Revenue Refunding Bonds—Community Assistance Series 2013 Bonds were issued to refund the outstanding Series 2005 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

(s) Fresh Water Fund

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. The Water Development Revenue Bonds—Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002, Series 2004, Series 2010A-1, Series 2010A-2, Series 2013 and Water Development Revenue Notes—Fresh Water Commercial Paper Series 2007A, Series 2008D, Series 2008E, Series 2010A and Series 2010B were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue—Fresh Water Series 2001B, Series 2005, Series 2006A, Series 2009A and Series 2009B Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Series 1998, Series 2001A, Series 2002 and Series 2004 Bonds. A portion of the Fresh Water Series 2009A Bonds were used to retire outstanding commercial paper issued in 2007 and 2008. A portion of the Fresh Water Series 2010A-1 and Series 2010A-2 Bonds were used to retire outstanding commercial paper issued in 2010. All Fresh Water loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

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

The balance of Fresh Water construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 7.38%.

On December 1, 2007, the Refunding Fund and the Safe Water Refunding Fund (Prior Funds) were closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from the Prior Funds are deposited into the Cross-Collateralization account in the Fresh Water Fund and are not pledged toward outstanding Fresh Water debt. The balance of the Prior Program loans is repaid by LGAs under terms of installment contracts over periods of 23.5 to 40 years with interest rates of 5.25% to 7.96%.

On December 1, 2010, the Pure Water Refunding Fund was closed and the outstanding loan receivable balances were transferred to the Fresh Water Fund. The loan repayments from this Fund are deposited into the Cross-Collateralization account in the Fresh Water Fund and are not pledged toward outstanding Fresh Water debt. The balance of these loans is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 8.48%.

(t) Water Pollution Control Loan Fund

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

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

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

Year Awarded	Capitalization Grant	State Match
1989	$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1991	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
2005	60,663,240	12,132,648
2006	49,305,643	9,861,129
2007	60,252,687	12,050,537
2009*	297,239,893	15,323,359
2011	197,831,000	39,566,200
2012	79,564,000	15,912,800
2013	75,160,000	15,032,000
Total	$ 2,120,187,197	379,916,386

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

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, Series 1993, Series 1995, Series 2000, Series 2008, Series 2010 and Series 2013, Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004, Series 2005B, Series 2010A, Series 2010B-1 and Series 2010B-2, and Floating Rate Notes Series 2012A and Series 2013A (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001 and Series 2005 and Water Quality Series 2003, Series 2004, Series 2005, Series 2009, Series 2010C, Series 2011A, Series 2011B-1, Series 2011B-2 and Series 2012A (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.

(Continued)

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

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low-interest rate loans to qualified participants. The amount invested in this program as of December 31, 2013 was $4,755,304.

(u) Drinking Water Assistance Fund

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

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

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

Year Awarded	Capitalization Grant	State Match
1998	$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
2006	24,670,900	4,934,180
2007	24,671,000	4,934,200
2008	24,421,000	4,884,200
2009*	82,881,000	4,884,200
2011	73,389,000	14,677,800
2012	30,339,000	6,067,800
2013	27,058,000	5,411,600
Total	$ 526,516,400	93,611,280

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

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

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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. The Authority has elected to not implement any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989.

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

(b) Cash and Cash Equivalents

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

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

(c) Investments

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

(d) Due to and Due from Other Funds

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2013 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

(e) Loan Income as Defined by the Contracts

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

(f) Amortization of Premium and Discount of Bonds and Notes

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

(g) Interfund Transfers/Net Position

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) Capital Assets and Facilities

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

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	$ 538,676	–	–	538,676
Building (useful life: 20-45 years)	889,323	–	(1,799)	887,524
Capital Improvements (useful life: 20 years)	628,314	–	–	628,314
Other (useful life: 3-10 years)	1,483,964	32,762	(1,773)	1,514,953
Total capital assets	$ 3,540,277	32,762	(3,572)	3,569,467
Less: Accumulated Depreciation-Building	(380,898)	(37,494)	–	(418,392)
Less: Accumulated Depreciation-Cap Impr	(278,552)	(31,852)	–	(310,404)
Less: Accumulated Depreciation-Other	(1,465,635)	(18,781)	3,572	(1,480,844)
Capital Assets, at Depreciated Cost	$ 1,415,192	(55,365)	–	1,359,827

(i) Statement of Net Position Classifications

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

- Current: Due within one year from December 31, 2013
- Noncurrent: Due after December 31, 2014
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

Within the Fresh Water Fund there exist both restricted and unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Board authorization, be used by the Authority for any lawful purpose.

(j) Revenue and Expense Classifications

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

- Operating revenues consist of loan income, investment income and administrative fees from projects
- Operating expenses consist of interest on bonds and notes, bond and note issuance expense, loan principal forgiveness 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.

(Continued)

During 2013, 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, 2013, the Authority's carrying amount of deposits was $35,007,480 and bank balance of deposits was $34,527,778. Of this amount, $927,890 was covered by federal depository insurance, and $33,599,887 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, 2013 was $6,408,309. These deposits were collateralized with securities held by the bank’s agent but not in the Authority’s name.

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

As of December 31, 2013, 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	$2,137,484	1,357,878	779,606	-	-
Other Projects:					
U.S. Treasuries	11,325,643	1,528,324	9,797,319	-	-
U.S. Agencies	51,982,983	38,730,673	13,252,310	-	-
Municipal Bonds	543,324	-	543,324	-	-
STAROhio	1,061,379	1,061,379	-	-	-
Money Market	45,192,436	45,192,436	-	-	-
	110,105,765	86,512,812	23,592,953	-	-
Rural Utility Services:					
U.S. Treasuries	1,498,471	-	1,498,471	-	-
U.S. Agencies	9,446,529	6,273,611	3,172,918	-	-
Municipal Bonds	1,084,953	-	1,084,953	-	-
Money Market	4,634,484	4,634,484	-	-	-
	16,664,437	10,908,095	5,756,342	-	-

(Continued)

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	$15,158,387	3,554,387	11,604,000	-	-
U.S. Agencies	10,411,280	9,911,247	500,033	-	-
STAROhio	1,100,932	1,100,932	-	-	-
Money Market	2,798,134	2,798,134	-	-	-
	29,468,733	17,364,700	12,104,033	-	-
Fresh Water:					
U.S. Treasuries	133,664,964	44,174,223	87,741,093	1,436,835	312,813
U.S. Agencies	89,940,793	42,195,255	47,745,538	-	-
Municipal Bonds	6,929,486	540,937	6,388,549	-	-
STAROhio	979,929	979,929	-	-	-
Money Market	11,693,095	11,693,095	-	-	-
	243,208,267	99,583,439	141,875,180	1,436,835	312,813
Water Pollution Control Loan:					
U.S. Treasuries	346,426,437	81,360,130	264,494,197	572,110	-
U.S. Agencies	515,184,911	362,532,766	152,652,145	-	-
Municipal Bonds	29,803,679	6,852,610	22,951,069	-	-
STAROhio	5,889,594	5,889,594	-	-	-
Money Market	53,954,145	53,954,145	-	-	-
	951,258,766	510,589,245	440,097,411	572,110	-
Drinking Water Assistance:					
U.S. Treasuries	40,284,979	15,553,673	24,731,306	-	-
U.S. Agencies	92,022,148	81,507,121	10,515,027	-	-
STAROhio	840,605	840,605	-	-	-
Money Market	17,321,284	17,321,284	-	-	-
	150,469,016	115,222,683	35,246,333	-	-

The Authority's U.S. Treasuries, U.S. Agencies and municipal bonds are uninsured and unregistered investments for which the securities are held by the Authority’s agent but not in the Authority’s name. As of December 31, 2013, the Authority’s investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AA+ by Standard & Poor’s and Aaa by Moody’s. The Authority’s investments in municipal bonds were rated within the top three long-term categories by Moody’s and/or Standard & Poor’s. The Authority’s investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAm by Standard & Poor’s. The Authority’s money market investments were rated AAAm by Standard & Poor’s and/or Aaa-mf by Moodys. As of December 31, 2013, 97.29% of the Authority’s rated investments were rated in the highest short-term or long-term rating category by Moodys.

(Continued)

As of December 31, 2013, 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 National Mortgage Association	36%
	Federal Farm Credit Bank	31%
	Federal Home Loan Mortgage Corporation	21%
	Federal Home Loan Bank	12%
Other Projects	Federal Home Loan Mortgage Corporation	16%
	Federal Home Loan Bank	15%
	Federal National Mortgage Association	14%
Rural Utility Services	Federal Home Loan Bank	27%
	Federal National Mortgage Association	18%
	Federal Home Loan Mortgage Corporation	12%
Community Assistance	Federal National Mortgage Association	17%
	Federal Home Loan Bank	15%
Fresh Water	Federal National Mortgage Association	22%
	Federal Home Loan Bank	8%
	Federal Home Loan Mortgage Corporation	8%
Water Pollution Control Loan	Federal Home Loan Bank	24%
	Federal National Mortgage Association	19%
	Federal Home Loan Mortgage Corporation	14%
Drinking Water Assistance	Federal Home Loan Mortgage Corporation	25%
	Federal Home Loan Bank	25%
	Federal National Mortgage Association	12%
	Federal Farm Credit Bank	8%

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, 2013, the Authority had cash and cash equivalents balances of $180,473,497, which includes accrued interest receivables on money market balances. Below is a reconciliation of statement of net position and cash flows cash and cash equivalents balances:

Fund		Statement of Net Position Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Cash Flows Cash and Cash Equivalents Balance
Operating	$	370,996	-	370,996
Other Projects		47,251,655	(122)	47,251,533
Rural Utility Services		4,634,484	(35)	4,634,449
Community Assistance		5,344,647	(31)	5,344,616
Fresh Water		19,806,437	(195)	19,806,242
Water Pollution Control Loan		80,369,831	(649)	80,369,182
Drinking Water Assistance		22,695,447	(109)	22,695,338
	$	180,473,497	(1,141)	180,472,356

(3) INTERFUND RECEIVABLES AND PAYABLES

On December 31, 2013, interfund balances consisted of:

1) $37,753 owed to the Operating Fund by the Drinking Water Assistance Fund caused by the timing of pending loan fee repayment allocations.
2) $20,343 owed to the Other Projects Fund by the Community Assistance Fund caused by an erroneous allocation of a loan repayment.

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

As of December 31, 2013, there was $92,980,000 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
2005	Serial	5.25%	2014-2017	$	2,510,000	7,135,000	9,645,000
2009	Serial	2.25% to 4.00%	2014-2019		935,000	5,125,000	6,060,000
	Term	3.25% to 5.00%	2020-2030		-	15,545,000	15,545,000
2010A	Serial	2.00%	2014		165,000	-	165,000
2010B	Serial	3.25% to 4.85%	2015-2020		-	1,505,000	1,505,000
	Term	5.42% to 6.15%	2021-2038		-	27,380,000	27,380,000
2011	Serial	2.50% to 5.00%	2014-2022		2,790,000	20,815,000	23,605,000
2013	Serial	0.32% to 1.05%	2014-2017		2,235,000	6,840,000	9,075,000
Community Assistance Fund Totals					8,635,000	84,345,000	92,980,000
		Add: unamortized premiums			188	2,752,965	2,753,153
				$	8,635,188	87,097,965	95,733,153

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

		Principal	Interest *	Total
2014	$	8,635,000	4,103,970	12,738,970
2015		8,875,000	3,837,397	12,712,397
2016		9,120,000	3,562,865	12,682,865
2017		7,395,000	3,255,080	10,650,080
2018		4,165,000	3,006,541	7,171,541
2019-2023		17,770,000	12,323,529	30,093,529
2024-2028		9,610,000	9,308,010	18,918,010
2029-2033		14,675,000	6,567,716	21,242,716
2034-2038		12,735,000	1,809,023	14,544,023
	$	92,980,000	47,774,131	140,754,131

* In 2010, OWDA sold Federally Taxable-Build America Bonds (BABs) which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2013, the subsidy was cut 7.2% resulting in an effective subsidy equaling 32.48% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $37,131,267.

The Community Assistance 2013 Taxable Bonds were issued to advance refund $11,365,000 of the Community Assistance Series 2005 Bonds. Although the refunding resulted in a deferred accounting loss of $1,774,150, the Authority in effect reduced its aggregate debt service payments by $2,861,873 and achieved an economic gain of $2,016,498.

In conjunction with the Community Assistance 2013 transaction, the Authority also cash defeased $13,360,000 of the Community Assistance Series 2003 Bonds. The Authority funded the defeasance with $13,959,330 in cash on hand. Future debt service payments on the Series 2003 Bonds would have totaled $18,702,341 ($17,724,838 present value as of April 30, 2013 defeasance), achieving an economic gain of $3,765,508.

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

a) Community Assistance Refunding Series 2005 – The Series 2005 bonds are not subject to redemption prior to their stated maturity.
b) Community Assistance Refunding Series 2009 – 1) The term bonds are subject to mandatory redemption beginning June 1, 2020. 2) The term bonds maturing on or after December 1, 2020 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2019, or at any time thereafter in any order of maturity, at a redemption price equal to the par value for the principal amount redeemed plus accrued interest to the redemption date.
c) Community Assistance Series 2010A – The Series 2010A Bonds are not subject to redemption prior to their stated maturity.
d) Community Assistance BABs Series 2010B – 1) The term bonds are subject to mandatory redemption beginning June 1, 2021. 2) Both the serial and term bonds maturing on or after December 1, 2020 are callable for redemption prior to maturity at the option of the Authority, either in whole or in part, on or after June 1, 2020, at par plus accrued interest. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. 4) Due to The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), the BABs are subject to extraordinary mandatory redemption at any time during the ninety-day period following July 13, 2013, in whole or in part, at a redemption price equal to 102% of the principal amount of each maturity selected, plus accrued and unpaid interest to the redemption.
e) Community Assistance Series 2011 – The Series 2011 Bonds maturing on or after December 1, 2021 are subject to optional redemption, in whole or in part, on or after June 1, 2021, at par plus accrued interest.
f) Community Assistance Refunding Series 2013 – The Series 2013 Bonds are not subject to redemption prior to their stated maturity.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Community Assistance project costs are insufficient to cover Community Assistance debt service requirements, unencumbered assets of the Community Assistance Fund Debt Service Reserve, Surplus and Construction accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of Community Assistance project costs was $13,153,559, compared to the required bond debt service payments of $10,085,188.

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, 2013, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

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

As of December 31, 2013, there was $568,085,000 of Fresh Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2001B	Serial	4.75% to 5.50%	2014-2021	$	6,695,000	32,970,000	39,665,000
2004	Serial	4.40% to 5.00%	2014		3,995,000	-	3,995,000
	Term	5.00% to 5.25%	2015-2022		-	3,980,000	3,980,000
2005	Serial	5.00% to 5.50%	2014-2025		5,055,000	82,300,000	87,355,000
2006	Term	5.25%	2022-2034		-	51,100,000	51,100,000
2009A	Serial	3.00% to 5.00%	2014-2016		16,435,000	33,980,000	50,415,000
2009B	Serial	3.00% to 5.00%	2014-2022		6,480,000	38,415,000	44,895,000
	Term	3.125% to 5.250%	2020-2027		-	27,010,000	27,010,000
2010A-2	Term	3.593% to 4.917%	2020-2042		-	149,290,000	149,290,000
2013	Term	2.00% to 5.00%	2014-2023		1,500,000	108,880,000	110,380,000
Fresh Water Fund Totals					40,160,000	527,925,000	568,085,000
		Add: unamortized premiums			-	39,999,474	39,999,474
				$	40,160,000	567,924,474	608,084,474

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

		Principal	Interest*	Total
2014	$	40,160,000	27,634,130	67,794,130
2015		39,445,000	25,904,040	65,349,040
2016		38,680,000	23,988,372	62,668,372
2017		21,770,000	22,254,865	44,024,865
2018		30,715,000	21,104,778	51,819,778
2019-2023		210,350,000	73,534,104	283,884,104
2024-2028		85,625,000	36,006,551	121,631,551
2029-2033		53,880,000	18,386,548	72,266,548
2034-2038		35,545,000	7,392,902	42,937,902
2039-2042		11,915,000	966,313	12,881,313
	$	568,085,000	257,172,603	825,257,603

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2013, the subsidy was cut 7.2% resulting in an effective subsidy equaling 32.48% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $218,277,356.

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

a) Fresh Water Series 2001B – The Series 2001B Bonds are not subject to redemption prior to maturity.
b) Fresh Water 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.
c) Fresh Water Refunding Series 2005 – The Series 2005 Bonds are not subject to redemption prior to maturity.
d) Fresh Water Refunding Series 2006 – 1) The Series 2006 Bonds are not subject to optional redemption prior to their stated maturity. 2) The term bonds are subject to mandatory redemption beginning December 1, 2022.
e) Fresh Water Series 2009A – The Series 2009A Bonds are not subject to redemption prior to maturity.
f) Fresh Water Refunding Series 2009B – The Series 2009B Bonds are not subject to optional redemption prior to their stated maturity. The term bonds are subject to mandatory redemption beginning December 1, 2020.
g) Fresh Water BABs Series 2010A-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2020. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

h) Fresh Water Series 2013 – The Series 2013 Bonds are not subject to redemption prior to maturity.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds. In the event that LGA reimbursements of Fresh Water project costs are insufficient to cover Fresh Water debt service payments, unencumbered assets of the Fresh Water Fund Debt Service Reserve, Surplus and Construction accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of Fresh Water project costs was $108,075,001, compared to the required bond debt service payments of $62,791,007.

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, 2013, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

(Continued)

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

As of December 31, 2013, there was $11,085,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—State Match Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2005	Serial	5.00%	2014-2015	$	2,770,000	2,110,000	4,880,000
	Term	5.25%	2016-2021		-	6,205,000	6,205,000
WPCLF State Match Series Totals					2,770,000	8,315,000	11,085,000
		Add: unamortized premiums			-	421,019	421,019
				$	2,770,000	8,736,019	11,506,019

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

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

LGA reimbursements of WPCLF project costs of interest only, not the principal, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF interest project costs are insufficient to cover WPCLF State Match debt service payments, unencumbered assets of the WPCLF State Match Interest, Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of WPCLF pledged interest project costs was $26,214,048 compared to the required bond debt service payments of $3,311,063.

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, 2013, there is no accrued rebate liability for these bonds.

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

		Principal	Interest	Total
2014	$	2,770,000	536,013	3,306,013
2015		2,110,000	404,763	2,514,763
2016		1,685,000	302,794	1,987,794
2017		1,445,000	216,956	1,661,956
2018		1,040,000	146,475	1,186,475
2019-2021		2,035,000	148,706	2,183,706
	$	11,085,000	1,755,707	12,840,707

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

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

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

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

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

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

(Continued)

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

As of December 31, 2013, there was $1,826,832,302 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds and Notes—Water Quality Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2002	Serial	5.25%	2014	$	7,990,000	-	7,990,000
2003	Serial	5.25%	2014-2015		15,405,000	13,380,000	28,785,000
2004	Serial	3.60% to 5.00%	2014		31,000,000	-	31,000,000
2004 ref	Serial	5.00%	2014		14,765,000	-	14,765,000
2005 ref	Serial	5.25% to 5.50%	2015-2023		-	215,445,000	215,445,000
2005B	Serial	4.25%	2015		-	1,420,000	1,420,000
	CABS*	4.25% to 4.45%	2014-2017		20,575,000	53,722,302	74,297,302
2009	Serial	2.00% to 5.00%	2014-2019		22,610,000	121,415,000	144,025,000
2010A	Serial	2.75% to 5.00%	2014-2030		10,285,000	83,745,000	94,030,000
	Term	4.00% to 5.00%	2021-2029		-	220,595,000	220,595,000
2010B-1	Serial	2.00% to 5.00%	2014-2018		1,000,000	29,035,000	30,035,000
2010B-2	Serial	4.192%	2024		-	11,390,000	11,390,000
	Term	3.492% to 4.879%	2019-2034		-	417,735,000	417,735,000
2010C	Serial	2.50% to 5.00%	2018-2022		-	73,200,000	73,200,000
2011A	Serial	4.00% to 5.00%	2015-2019		-	101,210,000	101,210,000
2011B-1	Serial	3.00% to 5.00%	2015-2018		-	76,860,000	76,860,000
2011B-2	Serial	0.93% to 1.33%	2014-2015		22,610,000	8,270,000	30,880,000
2012A ref	Serial	0.59% to 1.80%	2014-2018		2,415,000	50,755,000	53,170,000
2012A frn	Note^	Variable	2015		-	50,000,000	50,000,000
2013A frn	Note^	Variable	2016		-	150,000,000	150,000,000
WPCLF Water Quality Series Totals					148,655,000	1,678,177,302	1,826,832,302
		Add: unamortized premiums			456,621	76,419,933	76,876,554
				$	149,111,621	1,754,597,235	1,903,708,856

CABS* - Capital Appreciation Bonds
Note^ - Floating Rate Note (frn)

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

a) Water Quality Series 2002 – The bonds maturing on or after June 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, at par plus accrued interest.
b) Water Quality Refunding Series 2003 – These bonds are not subject to mandatory or optional redemption prior to maturity.
c) Water Quality Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.
d) Water Quality Refunding Series 2004 – These bonds are not subject to mandatory or optional redemption prior to maturity.
e) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.

(Continued)

f) Water Quality Series 2005B – The bonds maturing on or after December 1, 2017 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2015, at par plus accrued interest.

g) Water Quality Refunding Series 2009 – These bonds are not subject to redemption prior to stated maturity.

h) Water Quality Series 2010A – 1) The bonds maturing on or after June 1, 2020 are subject to prior redemption by and at the sole option of the Authority, in whole or in part, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. 2) The term bonds are subject to mandatory redemption beginning June 1, 2021. 3) Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following April 15, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on April 15, 2013.

i) Water Quality Series 2010B-1 – The Series 2010B-1 Bonds are not subject to optional redemption prior to their stated maturity. Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on August 24, 2013.

j) Water Quality Series 2010B-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2019. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. 4) Due to TIPRA, the BABs are subject to extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to 102% of the principal amount of each maturity selected, plus accrued and unpaid interest to the redemption date.

k) Water Quality Refunding Series 2010C – These bonds are not subject to redemption prior to their stated maturity.

l) Water Quality Refunding Series 2011A – These bonds are not subject to redemption prior to their stated maturity.

m) Water Quality Refunding Series 2011B-1 – These bonds are not subject to redemption prior to their stated maturity.

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

o) Water Quality Refunding Series 2012A – These bonds are not subject to redemption prior to their stated maturity.

p) Water Quality Series 2012-2013 Floating Rate Notes – These notes are subject to optional redemption, in whole or in part, 30 days after the date of issuance, at par plus accrued interest.

q) Water Quality Series 2013-2014 Floating Rate Notes – These notes are subject to optional redemption, in whole or in part, 30 days after the date of issuance, at par plus accrued interest.

(Continued)

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

		Principal (a)	Interest *	Total (a)
2014	$	148,655,000	71,306,443	219,961,443
2015		211,695,000	66,156,976	277,851,976
2016		313,005,000	60,121,122	373,126,122
2017		162,945,000	53,687,636	216,632,636
2018		118,065,000	47,043,222	165,108,222
2019-2023		340,520,000	169,879,595	510,399,595
2024-2028		387,305,000	86,507,545	473,812,545
2029-2033		138,505,000	18,667,043	157,172,043
2034		13,095,000	482,411	13,577,411
	$	1,833,790,000	573,851,993	2,407,641,993

(a) Includes capital appreciation bonds at matured value.

The Water Quality Series 2012A and 2013A Floating Rate Notes have an adjustable rate that is reset weekly at a rate of SIFMA plus 0.40%. The 2012A and 2013A FRN series interest payments to maturity are based on the rate for these notes at December 31, 2013, which was 0.46%.

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2013, the subsidy was cut 7.2% resulting in an effective subsidy equaling 32.48% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $480,953,277.

LGA reimbursements of WPCLF project costs of principal only, not the interest, pursuant to WPCLF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of WPCLF principal project costs are insufficient to cover WPCLF Water Quality debt service payments, unencumbered assets of the WPCLF Water Quality Debt Service Reserve, Surplus and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of WPCLF principal project costs and depledged interest project costs were $258,274,696, compared to the required bond debt service payments of $211,990,356.

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, 2013, there is an accrued rebate liability of $149,033 for these bonds.

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

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

(2) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.

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

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

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

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

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

As of December 31, 2013, there was $10,810,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—State Match Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2004	Term	4.25% to 5.00%	2014-2025	$	1,075,000	5,460,000	6,535,000
2010B	Serial	4.00%	2014		4,275,000	-	4,275,000
DWAF State Match Series Totals					5,350,000	5,460,000	10,810,000
		Add: unamortized premiums (net)			63,197	(41,369)	21,828
				$	5,413,197	5,418,631	10,831,828

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

a) 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.

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

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

		Principal	Interest	Total
2014	$	5,350,000	349,038	5,699,038
2015		115,000	233,663	348,663
2016		110,000	228,038	338,038
2017		100,000	222,663	322,663
2018		90,000	217,788	307,788
2019-2023		4,600,000	545,806	5,145,806
2024-2025		445,000	19,019	464,019
	$	10,810,000	1,816,015	12,626,015

LGA reimbursements of DWAF project costs of interest only, not the principal, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF interest project costs are insufficient to cover DWAF State Match debt service payments, unencumbered assets of the DWAF State Match Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of DWAF interest project costs was $14,783,979, compared to the required bond debt service payments of $13,043,238.

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, 2013, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

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

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

As of December 31, 2013, there was $239,295,000 of Drinking Water Assistance Fund (DWAF) Revenue and Refunding Bonds—Leverage Series outstanding, broken down by series as follows:

Series	Type	Interest Rate	Maturity		Current	Long-Term	Total
2004	Term	4.50% to 5.00%	2014-2025	$	1,355,000	995,000	2,350,000
2005 ref	Serial	5.00% to 5.25%	2015-2023		-	18,705,000	18,705,000
	Term	5.25%	2019-2022		-	17,860,000	17,860,000
2005B	Serial	4.75% to 5.00%	2014-2026		3,135,000	6,175,000	9,310,000
	Term	4.50% to 5.00%	2016-2025		-	13,295,000	13,295,000
2008	Serial	3.50% to 5.00%	2014-2018		2,945,000	12,965,000	15,910,000
	Term	5.00%	2019-2024		-	24,560,000	24,560,000
2010B	Term	5.276% to 5.742%	2022-2030		-	44,530,000	44,530,000
2010C	Serial	4.00% to 5.00%	2014-2021		8,975,000	83,800,000	92,775,000
DWAF Leverage Series Totals					16,410,000	222,885,000	239,295,000
		Add: unamortized premiums			-	12,570,752	12,570,752
				$	16,410,000	235,455,752	251,865,752

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

a) 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.

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

c) 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.

d) Leverage Refunding Series 2008 – The term bonds are subject to mandatory redemption beginning June 1, 2019. The bonds maturing after June 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2018, at par plus accrued interest.

e) Leverage Series 2010B – 1) The BABs are subject to mandatory redemption beginning June 1, 2022. 2) The BABs are subject to optional redemption by and at the sole option of the Authority, in whole multiples of $5,000, either in whole or part on any date on or after June 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the

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redemption date. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payments from the United States Treasury is reduced or eliminated.

f) Leverage Refunding Series 2010C – The refunding bonds maturing on or after June 1, 2021 are subject to prior redemption by and at the sole option of the Authority in whole multiples of $5,000, either in whole or in part on any date on or after December 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

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

		Principal	Interest*	Total
2014	$	16,410,000	11,475,015	27,885,015
2015		18,370,000	10,693,803	29,063,803
2016		19,070,000	9,869,571	28,939,571
2017		20,895,000	8,942,721	29,837,721
2018		22,835,000	7,930,841	30,765,841
2019-2023		98,045,000	23,112,925	121,157,925
2024-2028		33,735,000	7,493,844	41,228,844
2029-2030		9,935,000	666,503	10,601,503
	$	239,295,000	80,185,223	319,480,223

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2013, the subsidy was cut 7.2% resulting in an effective subsidy equaling 32.48% of interest paid. The interest reported in this table is the gross interest due on the bonds. The total interest due, net of the BABs subsidy over the remaining life of the bonds, will be $69,807,896.

LGA reimbursements of DWAF project costs of principal only, not the interest, pursuant to DWAF loan agreements, are pledged as security for the bonds. In the event that LGA reimbursements of DWAF principal project costs are insufficient to cover DWAF Leverage debt service payments, unencumbered assets of the DWAF Leverage Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For the calendar year 2013, the amount received from reimbursements of DWAF principal project costs was $34,767,424, compared to the required bond debt service payments of $26,410,828.

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, 2013, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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

(10) OUTSTANDING DEFEASED BONDS

For accounting purposes, the assets and liabilities for defeased bonds are not reflected in the Authority's financial statements. Below is a listing of Authority bonds remaining outstanding as of December 31, 2013 which have been defeased:

Series	Year Defeased		Balance Outstanding
Pure Water 1989 & 1990	1992	$	10,260,000
Community Assistance 2005	2013		11,365,000
Fresh Water 2004	2006		55,055,000
Fresh Water 2004	2009		44,525,000
WPCLF Water Quality 2004 & 2005B	2009		212,855,000
WPCLF Water Quality 2004	2010		76,220,000
WPCLF Water Quality 2004 & 2005B	2011		244,185,000
WPCLF Water Quality 2005B	2012		53,825,000
DWAF State Match 2004	2010		7,280,000
DWAF Leverage 2004, 2005B & 2008	2010		90,450,000
		$	806,020,000

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

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2013, outstanding bonds and notes under this program total $2,114,045,000.

(12) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system that administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2013, 2012 and 2011 were approximately $1,205,000, $1,148,000 and $1,139,000, respectively. In 2013, the employee and employer contribution rates were 10% and 14%, respectively, for all Authority employees. Total required employer contributions were approximately $168,000, $160,000 and $159,000 for the years ending December 31, 2013, 2012 and 2011, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

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

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

Postretirement Healthcare

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must be age 60 with 20 years of qualifying Ohio service credit or be any age retiring with at least 30 years of qualifying service. Health care coverage for disability benefit recipients is available for five years after which recipient must meet minimum age and service requirements or be enrolled in Medicare due to disability status to remain enrolled in OPERS plan. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension.*

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

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

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare was 1.00% for 2013. The Authority's 2013 employer contributions made to fund post-employment benefits were $12,059, covering 21 participants. The Authority's 2012 and 2011 contributions to fund post-employment benefits were $45,935 (21 participants) and $45,597 (21 participants), respectively (4% allocated). 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.

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

(13) COMMITMENTS

As of December 31, 2013, the Authority has loan commitments to finance LGA construction projects in the following amounts:

Fund	Amount
Other Projects	$ 8,850,149
Rural Utility Services	576,835
Community Assistance	9,587,313
Fresh Water	156,449,910
Water Pollution Control Loan	723,245,945
Drinking Water Assistance	73,423,706
	$ 972,133,858

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

(14) TRANSFERS

Interfund transfers for the year ended December 31, 2013 consisted of the following:

Transfer to Operating from:		
Drinking Water Assistance	$	19
Transfer from Working Capital to:		
Fresh Water	$	(20,834)
Transfers to (from) Other Projects from (to):		
Community Assistance		(4,108,519)
Fresh Water		34,384,073
Drinking Water Assistance		(1,295)
	$	30,274,259
Transfers to Community Assistance from:		
Other Projects		4,108,519
Fresh Water		8,617,106
	$	12,725,625
Transfers to (from) Fresh Water from (to):		
Working Capital		20,834
Other Projects		(34,384,073)
Community Assistance		(8,617,106)
	$	(42,980,345)
Transfers to (from) Drinking Water Assistance from (to):		
Operating	$	(19)
Other Projects		1,295
		1,276
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, 2013, the Authority made the following non-routine transfers:

a) $34,727,969 from the Fresh Water Fund to the Other Projects Fund after Fresh Water Restricted Cross Collateralization funds were released. These funds will be used for additional funding for Other Projects Fund loans and grants.

b) $9,618,184 from the Fresh Water Fund and $5,000,000 from the Other Projects Fund to the Community Assistance Fund to cash defease the Community Assistance Series 2003 Bonds.

c) $1,001,078 from the Community Assistance Fund to the Fresh Water Fund for additional funding for Fresh Water Fund Loans.

d) $905,610 from the Community Assistance Fund to the Other Projects Fund for additional funding for Other Projects Fund loans and grants.

(15) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2013, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2012 Balance	Additions	Reductions	12/31/2013 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	$ 232,642	159,418	155,880	236,180	13,766	222,414
Revenue Bonds and Notes Payable	2,855,081,554	329,591,956	302,943,428	2,881,730,082	222,500,006	2,659,230,076
Total Long-Term Liabilities	$2,855,314,196	329,751,374	303,099,308	2,881,966,262	222,513,772	2,659,452,490

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of each major fund of the Ohio Water Development Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 26, 2014

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 22, 2014