



Ohio Water
Development Authority

OHIO WATER DEVELOPMENT AUTHORITY
FRANKLIN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2020 through December 31, 2020. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 26, 2021

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OHIO WATER DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Ohio Water Development Authority (the Authority) as of and for the year ended December 31, 2020, 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 from 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 the business-type activities, each major fund, and the aggregate remaining fund information of the Ohio Water Development Authority, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

During the year ended December 31, 2020, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities (see Note 4). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of net OPEB liability, and the schedule of OPEB contributions (as listed in the table of contents) 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 25, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 25, 2021

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

For the Year Ended December 31, 2020

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 year ended December 31, 2020. 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 loan and fee receivable increased by \$411,660,340 or 5.55%.
- The Authority's bonds and notes payable increased by \$511,983,757 or 10.71%.
- The Authority's interest on bonds and notes increased by \$10,886,419 or 8.12%.
- The Authority's investment income decreased by \$10,976,773 or 21.89%.
- The Authority's bond and note issuance expense decreased by \$3,725,344 or 28.74%.

Overview of the Financial Statements

This discussion and analysis is 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, including information about the nature and amounts of investments in resources (assets and deferred outflows of resources), the obligations (liabilities and deferred inflows of resources) of the Authority and the Authority's net position as of December 31, 2020. 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.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Fiduciary Fund. The Authority is the fiscal agent for the Nature Conservancy's In Lieu Fee Program, which is reported as a custodial fund, the Authority's only fiduciary fund. The financial information is excluded from the Authority's financial statements because the resources cannot be utilized to finance Authority operations and/or programs.

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 16-65 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 2020 and 2019, respectively, with 2019 restated for implementation of GASB Statement No. 84 (See Note 4).

The following table summarizes changes in net position of the Authority between December 31, 2020 and December 31, 2019, as restated:

Condensed Statement of Net Position, as restated

(all amounts expressed in thousands of dollars)

	2020	2019	Dollar Change	Total Percent Change
Current assets	\$ 41,041	\$ 32,351	\$ 8,690	26.86%
Noncurrent restricted assets	9,641,623	9,031,030	610,593	6.76%
Noncurrent unrestricted assets	247,089	240,134	6,955	2.90%
Capital assets	1,302	1,036	266	25.68%
Total assets	9,931,055	9,304,551	626,504	6.73%
Loss on refunding	20,979	28,568	(7,589)	(26.56%)
Advance of loan interest	80,549	79,562	987	1.24%
Pension and OPEB	440	734	(294)	(40.05%)
Total deferred outflows of resources	101,968	108,864	(6,896)	(6.33%)
Total assets and deferred outflows of resources	<u>\$10,033,023</u>	<u>\$9,413,415</u>	<u>\$619,608</u>	6.58%
Current liabilities	\$ 383,176	\$ 418,968	\$(35,792)	(8.54%)
Noncurrent revenue bonds and notes payable	5,053,796	4,503,796	550,000	12.21%
Other noncurrent liabilities	2,916	3,397	(481)	(14.16%)
Total liabilities	5,439,888	4,926,161	513,727	10.43%
Deferred inflows of resources:				
Pension and OPEB	534	194	340	175.26%
Net position:				
Net investment in capital assets	1,302	1,036	266	25.68%
Restricted	4,312,291	4,220,630	91,661	2.17%
Unrestricted	279,008	265,394	13,614	5.13%
Total net position	4,592,601	4,487,060	105,541	2.35%
Total liabilities, deferred inflows of resources, and net position	<u>\$10,033,023</u>	<u>\$9,413,415</u>	<u>\$619,608</u>	6.58%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,592,600,830 as of December 31, 2020, \$4,312,290,602 of which is restricted for debt and grant covenants. The largest portion of the Authority's net position is reflected in its loan receivables, cash and cash equivalents, and investments less any related debt still outstanding used to fund these loans to local government agencies.

The following table summarizes the changes in revenues and expenses for the Authority between 2020 and 2019, as restated:

**Condensed Statement of Revenues,
Expenses and Changes in Net Position, as restated**
(all amounts expressed in thousands of dollars)

	2020	2019	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$168,661	\$169,366	\$ (705)	(0.42%)
Investment income	39,179	50,156	(10,977)	(21.89%)
Administrative fees from projects	6,461	3,665	2,796	76.29%
Total operating revenues	214,301	223,187	(8,886)	(3.98%)
Operating expenses:				
Payroll and benefits	2,302	2,465	(163)	(6.61%)
Interest on bonds and notes	144,999	134,113	10,886	8.12%
Bond and note issuance expense	9,236	12,961	(3,725)	(28.74%)
Loan principal forgiveness and grant expense	54,027	48,516	5,511	11.36%
State revolving fund administration	14,957	14,657	300	2.05%
Professional services	3,542	3,377	165	4.89%
Loan interest rate buy-down	9,044	10,517	(1,473)	(14.01%)
Other	362	392	(30)	(7.65%)
Total operating expenses	238,469	226,998	11,471	5.05%
Operating loss	(24,168)	(3,811)	(20,357)	534.16%
Nonoperating other revenues (expenses)	14	(4,708)	4,722	100.30%
Contribution from U.S. EPA	119,077	121,200	(2,123)	(1.75%)
Federal subsidy income	8,998	10,269	(1,271)	(12.38%)
H2Ohio grant funding	1,620	-	1,620	100.00%
Change in net position	\$105,541	\$122,950	\$(17,409)	(14.16%)

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Management's Discussion and Analysis

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest on bonds and notes. For the year ending December 31, 2020, the Authority had an operating loss of \$24,167,962 compared to an operating loss of \$3,811,342 in 2019. This increase of \$20,356,620 in operating loss was primarily attributed to a \$10,976,773 decrease in investment income, a \$5,510,445 increase in loan principal forgiveness and grant expense, a \$10,886,419 increase in interest on bonds and notes, offset by a \$2,795,985 increase in revenues for administrative fees from projects, and a \$3,725,344 decrease in bond and note issuance expense.

During 2020, the Authority's net position increased by \$105,541,080 or 2.35%. The majority of this increase was due to the following:

- \$24,167,962 in operating loss as noted earlier
- \$119,076,949 in contribution from U.S. EPA which was used to make loans to local governments
- \$8,997,576 in Build America Bonds (BABs) subsidies (i.e., federal subsidy income) used to offset interest expense on bonds

Financial Analysis of Net Position by Fund, as restated (all amounts expressed in thousands of dollars)

	2020	2019	Dollar Change	Total Percent Change
Operating	\$ 2,628	\$ 1,949	\$ 679	34.84%
Other Projects	276,496	263,417	13,079	4.97%
Rural Development	(58)	(58)	0	0.00%
Community Assistance	113,792	120,001	(6,209)	(5.17%)
Fresh Water	682,096	667,519	14,577	2.18%
Water Pollution Control Loan	2,893,731	2,845,419	48,312	1.70%
Drinking Water Assistance	623,916	588,813	35,103	5.96%
Total Net Position	\$ 4,592,601	\$4,487,060	\$105,541	2.35%

During 2020, net position by fund experienced the following significant changes:

- Operating Fund net position increased by \$678,753 or 34.84%. This increase was due to increased administrative fees from projects.
- Community Assistance net position decreased by \$6,209,605 or 5.17%. This decrease was caused by transfers from the Community Assistance Fund to the Other Projects and Fresh Water Funds in 2020.
- Drinking Water Assistance Fund net position increased by \$35,103,412 or 5.96%. This was primarily due to a transfer from the Water Pollution Control Loan Fund for funding for the Water Infrastructure Transfer Act to be used as principal forgiveness to fund lead service line replacements.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Debt Administration

As of December 31, 2020, the Authority had revenue bonds and notes principal outstanding of \$5,293,829,688. 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 2020 and 2019.

Outstanding Debt at December 31, 2020 and December 31, 2019 (net of premiums)

(all amounts expressed in thousands of dollars)

	2020	2019
Revenue Bonds \$	5,248,830	4,671,846
Revenue Notes	45,000	110,000
Total	\$ <u>5,293,830</u>	<u>4,781,846</u>

During 2020, the Authority issued the following bonds for the purpose of providing loan funding to local governments under its various loan programs:

1. Water Pollution Control Loan Fund Revenue Bonds – WPCLF Series 2020A
2. Water Pollution Control Loan Fund Revenue Bonds – WPCLF Series 2020B

The Authority continues to maintain strong ratings from Moody's and Standard & Poor's. All Bonds issued in 2020 were rated AAA / Aaa by Standard & Poors and Moody's, respectively.

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 33-49 of this report.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Ohio Water Development Authority, 480 S. High Street, Columbus, Ohio 43215, or call (614) 466-5822 or toll-free (877) OWDA-123, or visit the Authority's website at www.owda.org.

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Net Position

December 31, 2020

	Custodied Funds		Trusteed Funds	
	Operating Fund	Other Projects Fund	Rural Development Fund (Note 5)	Community Assistance Fund (Note 6)
<u>Assets</u>				
Current assets:				
Cash and cash equivalents -- Note 2	\$ 549,455	5,772,496	-	-
Investments -- Note 2	1,412,046	24,215,721	-	-
Receivables:				
Loan and fee receivables	781,640	8,181,967	-	-
Other	29,239	98,265	-	-
Total current assets	<u>2,772,380</u>	<u>38,268,449</u>	-	-
Noncurrent assets:				
Restricted grant, bond and note covenant assets:				
Cash and cash equivalents -- Note 2	-	-	313,308	7,736,884
Investments -- Note 2	-	-	-	18,504,261
Loan and fee receivables	-	-	-	133,328,417
Total noncurrent restricted assets	-	-	<u>313,308</u>	<u>159,569,562</u>
Investments -- Note 2	866,533	115,302,409	-	-
Loan receivables	-	124,477,146	-	-
Other receivables	-	-	-	-
Due from other funds -- Note 3	857,279	-	-	-
Capital assets, at depreciated cost	1,301,626	-	-	-
Total noncurrent unrestricted assets	<u>3,025,438</u>	<u>239,779,555</u>	-	-
Total assets	<u>5,797,818</u>	<u>278,048,004</u>	<u>313,308</u>	<u>159,569,562</u>
<u>Deferred Outflows of Resources</u>				
Loss on refunding	-	-	-	1,466,907
Advance of loan interest	-	-	-	-
Pension and other postemployment benefits (OPEB)	440,356	-	-	-
Total deferred outflows of resources	<u>440,356</u>	-	-	<u>1,466,907</u>
Total assets and deferred outflows of resources	<u>\$ 6,238,174</u>	<u>278,048,004</u>	<u>313,308</u>	<u>161,036,469</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 160,340	1,551,809	-	-
Current liabilities payable from restricted assets:				
Due to other funds -- Note 3	-	-	357,940	-
Accounts payable	-	-	13,483	-
Accrued interest	-	-	-	156,344
Revenue bonds and notes payable	-	-	-	4,055,000
Total current liabilities payable from restricted assets	-	-	<u>371,423</u>	<u>4,211,344</u>
Noncurrent liabilities:				
Compensated absences	289,535	-	-	-
Net pension and OPEB liability	2,626,568	-	-	-
Revenue bonds and notes payable, net of premiums	-	-	-	43,033,283
Total noncurrent liabilities	<u>2,916,103</u>	-	-	<u>43,033,283</u>
Total liabilities	<u>3,076,443</u>	<u>1,551,809</u>	<u>371,423</u>	<u>47,244,627</u>
<u>Deferred Inflows of Resources</u>				
Pension and OPEB	533,873	-	-	-
<u>Net Position</u>				
Net investment in capital assets	1,301,626	-	-	-
Restricted for debt and grant covenants	-	-	-	113,791,842
Unrestricted	1,326,232	276,496,195	(58,115)	-
Total net position	<u>2,627,858</u>	<u>276,496,195</u>	<u>(58,115)</u>	<u>113,791,842</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,238,174</u>	<u>278,048,004</u>	<u>313,308</u>	<u>161,036,469</u>

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 7)	Water Pollution Control Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2020
-	-	-	6,321,951
-	-	-	25,627,767
-	-	-	8,963,607
-	-	-	127,504
-	-	-	41,040,829
47,711,563	242,540,588	28,078,508	326,380,851
239,428,930	1,150,279,187	214,608,687	1,622,821,065
1,494,194,692	5,142,091,842	922,806,536	7,692,421,487
<u>1,781,335,185</u>	<u>6,534,911,617</u>	<u>1,165,493,731</u>	<u>9,641,623,403</u>
-	-	-	116,168,942
-	-	-	124,477,146
1,341,093	3,886,760	-	5,227,853
357,940	-	-	1,215,219
-	-	-	1,301,626
<u>1,699,033</u>	<u>3,886,760</u>	<u>-</u>	<u>248,390,786</u>
<u>1,783,034,218</u>	<u>6,538,798,377</u>	<u>1,165,493,731</u>	<u>9,931,055,018</u>
7,099,750	10,266,081	2,145,922	20,978,660
-	80,549,070	-	80,549,070
-	-	-	440,356
<u>7,099,750</u>	<u>90,815,151</u>	<u>2,145,922</u>	<u>101,968,086</u>
<u>1,790,133,968</u>	<u>6,629,613,528</u>	<u>1,167,639,653</u>	<u>10,033,023,104</u>
-	-	-	1,712,149
-	-	857,279	1,215,219
10,650,045	90,266,775	19,793,504	120,723,807
3,942,211	13,594,697	1,798,183	19,491,435
47,918,635	164,580,000	23,480,000	240,033,635
<u>62,510,891</u>	<u>268,441,472</u>	<u>45,928,966</u>	<u>381,464,096</u>
-	-	-	289,535
-	-	-	2,626,568
1,045,526,833	3,467,441,401	497,794,536	5,053,796,053
<u>1,045,526,833</u>	<u>3,467,441,401</u>	<u>497,794,536</u>	<u>5,056,712,156</u>
<u>1,108,037,724</u>	<u>3,735,882,873</u>	<u>543,723,502</u>	<u>5,439,888,401</u>
-	-	-	533,873
-	-	-	1,301,626
680,851,954	2,893,730,655	623,916,151	4,312,290,602
1,244,290	-	-	279,008,602
<u>682,096,244</u>	<u>2,893,730,655</u>	<u>623,916,151</u>	<u>4,592,600,830</u>
<u>1,790,133,968</u>	<u>6,629,613,528</u>	<u>1,167,639,653</u>	<u>10,033,023,104</u>

OHIO WATER DEVELOPMENT AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2020

	Custodied Funds		Trusteed Funds	
	Operating Fund	Other Projects Fund	Rural Development Fund (Note 5)	Community Assistance Fund (Note 6)
Operating revenues:				
Loan income	\$ -	2,919,345	182,014	2,140,850
Investment income	65,387	4,550,957	15,772	535,122
Administrative fees from projects	3,501,333	-	-	-
Total operating revenues	3,566,720	7,470,302	197,786	2,675,972
Operating expenses:				
Payroll and benefits	2,302,038	-	-	-
Interest on bonds and notes	-	-	125,057	1,235,956
Bond and note issuance expense	-	-	72,225	1,500
Loan principal forgiveness and grant expense	-	5,101,795	-	-
State revolving fund administration	-	-	-	-
Professional services	226,425	910,569	-	-
Loan interest rate buy-down	-	-	-	-
Other	362,035	-	-	-
Total operating expenses	2,890,498	6,012,364	197,282	1,237,456
Operating income (loss)	676,222	1,457,938	504	1,438,516
Nonoperating other revenues	2,531	10,000	-	-
Income (loss) before contributions, federal subsidy income and transfers	678,753	1,467,938	504	1,438,516
Contribution from U.S. EPA	-	-	-	-
Federal subsidy income	-	-	-	5,812
H2Ohio grant funding	-	1,620,515	-	-
Transfers in (out), net -- Note 17	-	9,990,708	-	(7,653,933)
Change in net position	678,753	13,079,161	504	(6,209,605)
Net position at beginning of year, as restated - Note 4	1,949,105	263,417,034	(58,619)	120,001,447
Net position at end of year	\$ 2,627,858	276,496,195	(58,115)	113,791,842

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2020
49,468,571	99,064,636	14,885,606	168,661,022
4,465,453	24,373,288	5,172,918	39,178,897
-	-	2,959,441	6,460,774
<u>53,934,024</u>	<u>123,437,924</u>	<u>23,017,965</u>	<u>214,300,693</u>
-	-	-	2,302,038
35,772,494	94,806,329	13,059,538	144,999,374
744,319	7,652,632	765,512	9,236,188
-	33,977,851	14,946,832	54,026,478
-	8,825,100	6,131,645	14,956,745
499,495	1,097,428	808,466	3,542,383
2,313,435	5,965,793	764,186	9,043,414
-	-	-	362,035
<u>39,329,743</u>	<u>152,325,133</u>	<u>36,476,179</u>	<u>238,468,655</u>
<u>14,604,281</u>	<u>(28,887,209)</u>	<u>(13,458,214)</u>	<u>(24,167,962)</u>
1,469	2	-	14,002
<u>14,605,750</u>	<u>(28,887,207)</u>	<u>(13,458,214)</u>	<u>(24,153,960)</u>
-	90,515,385	28,561,564	119,076,949
2,307,810	6,683,892	62	8,997,576
-	-	-	1,620,515
<u>(2,336,775)</u>	<u>(20,000,000)</u>	<u>20,000,000</u>	<u>-</u>
14,576,785	48,312,070	35,103,412	105,541,080
<u>667,519,459</u>	<u>2,845,418,585</u>	<u>588,812,739</u>	<u>4,487,059,750</u>
<u><u>682,096,244</u></u>	<u><u>2,893,730,655</u></u>	<u><u>623,916,151</u></u>	<u><u>4,592,600,830</u></u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year ended December 31, 2020

	Custodied Funds		Trusteed Funds	
	Operating Fund	Other Projects Fund	Rural Development Fund (Note 5)	Community Assistance Fund (Note 6)
Operating activities:				
Administrative fees from projects	\$ 2,034,382	-	-	-
Payroll and benefits	(2,140,019)	-	-	-
Grant expense	-	-	-	-
State revolving fund administration	-	-	-	-
Professional services	(242,174)	(909,583)	-	-
Other	(580,034)	-	-	-
Net cash (used) by operating activities	<u>(927,845)</u>	<u>(909,583)</u>	<u>-</u>	<u>-</u>
Investing activities:				
Proceeds from maturity or sale of investments	1,800,000	47,336,841	-	25,106,650
Purchase of investments	(1,363,695)	(51,773,878)	-	(19,495,782)
Interest received on investments, net of purchased interest	69,496	3,712,177	20,325	478,363
Interest received on projects	-	2,143,466	-	2,087,640
Principal collected on projects	-	9,357,209	12,951,570	9,617,677
Payment for construction of projects	-	(23,384,825)	(290,164)	-
Net cash provided (used) by investing activities	<u>505,801</u>	<u>(12,609,010)</u>	<u>12,681,731</u>	<u>17,794,548</u>
Noncapital financing activities:				
Interest paid on bonds and notes, net of purchased interest	-	-	(147,807)	(1,971,002)
Proceeds of bonds and notes	-	-	-	-
Bond and note issuance expense	-	-	(26,542)	(1,500)
Redemption of bonds and notes	-	-	(15,000,000)	(4,080,000)
Contribution from U.S. EPA	-	-	-	-
Other	(12,469)	(23,953)	16,399	6,965
Transfers (to) from other funds	-	9,990,708	-	(7,653,933)
Net cash provided (used) by noncapital financing activities	<u>(12,469)</u>	<u>9,966,755</u>	<u>(15,157,950)</u>	<u>(13,699,470)</u>
Net increase (decrease) in cash and cash equivalents	(434,513)	(3,551,838)	(2,476,219)	4,095,078
Cash and cash equivalents at beginning of year	983,968	9,324,187	2,789,503	3,641,668
Cash and cash equivalents at end of year -- Note 2	<u>\$ 549,455</u>	<u>5,772,349</u>	<u>313,284</u>	<u>7,736,746</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	\$ 676,222	1,457,938	504	1,438,516
Adjustments:				
Investment income	(65,387)	(4,550,957)	(15,772)	(535,122)
Principal forgiveness and other	633,941	5,101,795	-	-
Interest on bonds and notes	-	-	125,057	1,235,956
Loan and loan fee income	(1,466,952)	(2,919,345)	(182,014)	(2,140,850)
Bond and note issuance expense	-	-	72,225	1,500
Net change in other assets and other liabilities	(705,669)	986	-	-
Net cash (used) by operating activities	<u>\$ (927,845)</u>	<u>(909,583)</u>	<u>-</u>	<u>-</u>

See accompanying notes to financial statements.

Trusteed Funds			
Fresh Water Fund (Note 7)	Water Pollution Control Loan Fund (Notes 8 & 9)	Drinking Water Assistance Fund (Notes 10 & 11)	Total Combining 2020
-	-	2,197,982	4,232,364
-	-	-	(2,140,019)
-	-	(73,620)	(73,620)
-	(8,825,100)	(6,131,645)	(14,956,745)
(505,509)	(1,057,108)	(805,570)	(3,519,944)
-	-	-	(580,034)
<u>(505,509)</u>	<u>(9,882,208)</u>	<u>(4,812,853)</u>	<u>(17,037,998)</u>
503,541,029 (427,597,762)	1,647,367,753 (1,877,873,486)	333,385,061 (231,062,909)	2,558,537,334 (2,609,167,512)
4,505,648	21,275,433	6,248,440	36,309,882
45,567,202	87,111,293	12,598,992	149,508,593
84,365,812	301,841,585	59,587,662	477,721,515
(96,830,965)	(644,869,543)	(166,359,716)	(931,735,213)
<u>113,550,964</u>	<u>(465,146,965)</u>	<u>14,397,530</u>	<u>(318,825,401)</u>
(49,191,915)	(133,402,998)	(23,201,573)	(207,915,295)
-	888,798,960	-	888,798,960
(880,238)	(7,446,275)	(793,695)	(9,148,250)
(44,375,000)	(198,950,000)	(42,880,000)	(305,285,000)
-	90,515,385	28,561,564	119,076,949
1,845,481	3,355,647	809,946	5,998,016
(2,336,775)	(20,000,000)	20,000,000	-
<u>(94,938,447)</u>	<u>622,870,719</u>	<u>(17,503,758)</u>	<u>491,525,380</u>
18,107,008	147,841,546	(7,919,081)	155,661,981
29,602,093	94,679,067	35,996,673	177,017,159
<u>47,709,101</u>	<u>242,520,613</u>	<u>28,077,592</u>	<u>332,679,140</u>
14,604,281	(28,887,209)	(13,458,214)	(24,167,962)
(4,465,453)	(24,373,288)	(5,172,918)	(39,178,897)
2,313,435	39,943,644	15,637,398	63,630,213
35,772,494	94,806,329	13,059,538	144,999,374
(49,468,571)	(99,064,636)	(14,885,606)	(170,127,974)
744,319	7,652,632	765,512	9,236,188
(6,014)	40,320	(758,563)	(1,428,940)
<u>(505,509)</u>	<u>(9,882,208)</u>	<u>(4,812,853)</u>	<u>(17,037,998)</u>

OHIO WATER DEVELOPMENT AUTHORITY

Statement of Fiduciary Net Position

Custodial Fund

December 31, 2020

	<u>The Nature Conservancy - In Lieu Fee Custodial Fund</u>
<u>Assets</u>	
Cash and cash equivalents -- Note 2	\$ 25,994,445
Investments -- Note 2	3,018,651
Total assets	<u>\$ 29,013,096</u>
<u>Liabilities</u>	
Accounts payable	\$ 305,857
<u>Net Position</u>	
Restricted for The Nature Conservancy - In Lieu Fee Program	28,707,239
Total liabilities and net position	<u>\$ 29,013,096</u>

See accompanying notes to financial statements.

OHIO WATER DEVELOPMENT AUTHORITY

Statement of Changes in Fiduciary Net Position

Custodial Fund

Year ended December 31, 2020

	The Nature Conservancy - In Lieu Fee Custodial Fund
<u>Additions</u>	
Investment income	\$ 225,277
In Lieu Fee Mitigation receipts	10,244,968
Total additions	<u>10,470,245</u>
 <u>Deductions</u>	
Administrative expense	863,378
Custodian expense	1,000
In Lieu Fee Mitigation payments	319,282
Total deductions	<u>1,183,660</u>
Net increase in fiduciary net position	9,286,585
 Fiduciary net position at beginning of year -- Note 4	 <u>19,420,654</u>
Fiduciary net position at end of year	\$ <u><u>28,707,239</u></u>

See accompanying notes to financial statements.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

For the Year Ended December 31, 2020

(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.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Industrial

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

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) Other Projects Fund

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

The purpose of this program is to provide financing to local governments in Ohio for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects, and landfills. The balance of the construction costs are to be repaid by the solid waste facilities under terms of installment contracts over periods of 10 to 20 years with interest rates of 2.35% to 5.65%.

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

The purpose of this program is to provide financing to local governments in Ohio to construct projects which will provide economic development benefits. The interest rate for each loan is negotiated by the local government and the Ohio Development Services Agency. The loans are to be repaid under terms of installment contracts over periods of 10 to 30 years with interest rates of 0.98% to 3.00%.

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

The purpose of this program is to provide financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 10 to 30 years with interest rates of 2.00% to 3.00%.

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

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

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

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

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

The purpose of this program is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by 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, 2020 was \$354,289.

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

The purpose of this program is to provide financing to the eight counties with Lake Erie shorelines containing coastal erosion areas. Any county receiving financing from the

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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 over 15 years with a 4.67% interest rate.

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

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

The loans to the local government agencies are to be repaid under terms of installment contracts over periods of 20 to 30 years with interest rates of 2.00%.

- ***Other Projects Fund – Interest Rate Buy-Down***

The purpose of this program is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's Fresh Water, Refunding and Safe Water Refunding (which were consolidated into the Fresh Water Fund in 2007), and Pure Water Refunding (which was also consolidated into the Fresh Water Fund in 2010) Programs whose loan interest rates exceed 4.00%.

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

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

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

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

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

The purpose of this program is to provide loans to reduce storm water run-off and mitigate flooding. The loans to the LGAs are to be repaid under terms of installment contracts over periods of 10 to 20 years with interest rates of 1.00% to 2.55%.

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

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

(c) ***Rural Development Fund***

The Rural Development Fund was established during 1996 by a resolution of the Authority and is administered by a Trustee. Funding for the Program was provided by a \$15,000,000 note issuance.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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 and grant money from the United States of America, acting through Rural Utility Services.

(d) Community Assistance Fund

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

The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 10 to 30 years with interest rates of 0.50% 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 Community Assistance Water Development Revenue Bonds as detailed below:

Series	Par Amount	Type
1997	\$42,940,000	New Money
2003	53,755,000	New Money
2005	37,355,000	Refunding
2007	24,550,000	New Money
2008A Notes	24,550,000	Refunding
2008B Notes	24,550,000	Refunding
2009	25,185,000	Refunding
2010A	630,000	New Money
2010B	28,885,000	New Money
2011	25,730,000	Refunding
2013	12,420,000	Refunding
2017	14,675,000	Refunding
2019	23,060,000	Refunding

All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

(e) Fresh Water Fund

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series, and is administered by a Trustee. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. Continued funding has been provided by the issuance of Water Development Revenue Bonds from various Fresh Water Series as detailed below:

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Series	Par Amount	Type
1995	\$116,225,000	New Money
1998	120,535,000	New Money
2001A	25,345,000	New Money
2001B	53,005,000	Refunding
2002	102,145,000	New Money
2004	149,000,000	New Money
2005	105,220,000	Refunding
2006A	51,975,000	Refunding
2008D CP	65,000,000	New Money
2008E CP	40,000,000	New Money
2009A	122,205,000	Refunding
2009B	82,910,000	Refunding
2010A-B	50,000,000	New Money
2010A-1	6,035,000	New Money
2010A-2	149,290,000	New Money
2013	111,880,000	New Money
2016A	169,050,000	New Money
2016B	150,000,000	Refunding
2017B Notes	125,000,000	New Money
2018	166,405,000	Refunding
2019	150,000,000	New Money
2019 Notes	25,000,000	New Money

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 financing 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, 2010, the Pure Water Refunding Fund was closed and the outstanding loan receivables 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 7.21%.

(f) Water Pollution Control Loan Fund

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Construction costs are paid by LGAs under terms of installment contracts over periods of 4.5 to 45 years with interest rates of 0.00% to 4.66%. LGA repayments of project costs are restricted for the purpose of providing additional moneys for projects or for debt service.

In 2015, the Authority created the WPCLF Interest Rate Buy-Down Program. The purpose of this program is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's WPCLF Program whose loan interest rates exceed 3.00%.

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

Year Awarded	Capitalization Grant	State Match
1989-1990	\$ 117,223,949	23,444,790
1991-1995	486,694,143	97,338,829
1996-2000	394,146,604	78,832,885
2001-2005	362,769,278	72,553,857
2006-2010*	406,798,223	37,235,025
2011-2015	510,015,000	102,003,000
2016	75,217,000	15,043,400
2017	74,638,000	14,927,600
2018	90,357,000	18,071,400
2019	89,448,000	17,889,600
2020	89,460,000	17,892,000
Total	\$ 2,696,767,197	495,232,386

* 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.

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Notes to Financial Statements

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes. The WPCLF Water Quality, State Match, and WPCLF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. Issuances of Water Quality (WQ), State Match (SM), and WPCLF Bonds, Notes, and floating rate notes (FRN) are detailed below:

Series	Par Amount	Type
1991 SM	\$37,500,000	New Money
1993 SM	54,215,000	New Money
1995 SM	91,105,000	New Money
1995 WQ	212,265,000	New Money
1997 WQ	211,440,000	New Money
2000 SM	78,250,000	New Money
2001 WQ	83,400,000	New Money
2001 SM	53,590,000	Refunding
2002 WQ	200,115,000	New Money
2003 WQ	161,430,000	Refunding
2004A WQ	509,700,000	New Money
2004B WQ	65,005,000	Refunding
2005 SM	18,670,000	Refunding
2005 WQ	219,580,000	Refunding
2005B WQ	491,740,000	New Money
2008 SM	40,000,000	New Money
2009 WQ	229,120,000	Refunding
2010 SM	40,000,000	New Money
2010A WQ	366,290,000	New Money
2010B WQ	459,160,000	New Money
2010C WQ	73,200,000	Refunding
2011A WQ	101,210,000	Refunding
2011B WQ	142,435,000	Refunding
2012A WQ	62,555,000	Refunding
2013 SM	35,000,000	New Money
2013A FRN	50,000,000	New Money
2014 WPCLF	333,815,000	New Money
2014B WPCLF	137,990,000	Refunding
2015A WPCLF	240,000,000	New Money
2015B WPCLF	104,870,000	Refunding
2015 SM Note	30,000,000	New Money
2016 WPCLF	200,000,000	New Money
2017A WPCLF	400,000,000	New Money
2017B Note	250,000,000	New Money
2017-20B Note	20,000,000	New Money
2017-20C Note	50,000,000	New Money
2019A WPCLF	450,000,000	New Money
2019B WPCLF	300,000,000	Refunding
2019 SM Note	33,000,000	New Money
2020A WPCLF	450,000,000	New Money
2020B WPCLF	250,000,000	New Money

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The WPCLF Bonds and Notes are special obligations of the Authority, issued to fund the State Match, Water Quality, and WPCLF Bond accounts for use in making loans to LGAs provided by the Ohio EPA and the Authority. All interest earned on moneys and/or investments in the WPCLF remain within the fund. All loan repayments of principal and interest on loans made prior to May 1, 2014 are primarily pledged on a parity basis to all WPCLF Water Quality Bonds outstanding and subordinatedly pledged on a parity basis to all WPCLF Bonds outstanding. All loan repayments of interest for loans made after May 1, 2014 are pledged first to all WPCLF State Match Bonds outstanding, second to WPCLF Water Quality Bonds, and third to WPCLF Bonds. As of December 31, 2020, all WPCLF State Match Bonds are retired. Any future WPCLF State Match issuances will be governed by the WPCLF Bonds Trust Indenture.

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low-interest rate loans to qualified participants. The amount invested in this program as of December 31, 2020 was \$653,967.

(g) *Drinking Water Assistance Fund*

The Drinking Water Assistance Fund (DWAF) 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 4.64%. Repayments of project costs are restricted for the purpose of providing additional moneys for projects.

In 2015, the Authority created the DWAF Interest Rate Buy-Down Program. The purpose of this program is to provide a subsidy to the local governments in Ohio that obtained financing under the Authority's DWAF Program whose loan interest rates exceed 3.00%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The 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
1998-2000	\$ 114,624,500	22,924,900
2001-2005	124,462,000	24,892,400
2006-2010*	156,643,900	19,636,780
2011-2015	179,797,000	35,959,400
2016	23,107,000	4,621,400
2017	22,909,000	4,581,800
2018	27,935,000	5,587,000
2019	27,674,000	5,534,800
2020	27,692,000	5,538,400
Total	\$ 704,844,400	129,276,880

* 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 Leverage (Lev), State Match (SM), and DWAF Revenue Bonds and Notes as detailed below:

Series	Par Amount	Type
2001 SM Note	\$15,000,000	New Money
2002 Lev	60,000,000	New Money
2002 SM	30,000,000	New Money
2004 Lev	66,145,000	New Money
2004 SM	33,345,000	New Money
2005 Lev	36,825,000	Refunding
2005B Lev	61,135,000	New Money
2006 Lev	70,000,000	New Money
2008 Lev	71,915,000	Refunding
2010A Lev	6,205,000	New Money
2010A SM	19,255,000	New Money
2010B Lev	44,530,000	New Money
2010B SM	15,850,000	Refunding
2010C Lev	100,560,000	Refunding
2014 Lev	37,730,000	Refunding
2014 SM Note	11,000,000	New Money
2016	135,000,000	New Money
2017 SM Note	5,000,000	New Money
2018 SM Note	5,000,000	New Money
2019A	250,000,000	New Money
2019B	37,410,000	Refunding
2019 SM Note	12,000,000	New Money

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Notes to Financial Statements

The DWAF Bonds and Notes are special obligations of the Authority, issued to fund the State Match, Leverage, and DWAF Bond accounts for use in making loans to LGAs provided by the Ohio EPA and the Authority. All interest earned on moneys and/or investments in the DWAF remain within the fund. All loan repayments of principal and interest on loans made prior to August 3, 2016 are primarily pledged on a parity basis to all DWAF Leverage Bonds outstanding and subordinately pledged on a parity basis to all DWAF Bonds outstanding. All loan repayments of interest for loans made after August 3, 2016 are pledged first to all DWAF State Match Bonds outstanding, second to DWAF Leverage Bonds, and third to DWAF Bonds. As of December 31, 2020, all DWAF State Match Bonds are retired. Any future DWAF State Match issuances will be governed by the DWAF Bonds Trust Indenture.

Basis of Presentation—Custodial Fund Accounting

The custodial account of the Authority is organized on a fund basis, considered to be an independent fiscal and accounting entity. The operations of the custodial fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, additions, and deductions; 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 custodial fund of the Authority.

In Lieu Fee Fund

The In Lieu Fee (ILF) Mitigation Fund was established during 2014 by a resolution of the Authority. OWDA is responsible for fund management in support of the Nature Conservancy's administration of the program. All funds in the ILF Mitigation Fund belong to the Nature Conservancy.

The purpose of the ILF Mitigation Fund is to provide an option for public and private entities that are impacting Ohio's wetlands or streams where direct mitigation of those impacts is not feasible. These entities pay into the ILF Mitigation Fund, providing a source of funds that is then used to implement comparable projects elsewhere in the state that compensate for the originally impacted wetlands by public and private entities or carry out comparable projects to negate any negative impact on wetlands or streams.

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, including the fiduciary fund statements, on the full accrual basis of accounting. Accordingly, revenues are recognized as earned and expenses are recognized as incurred, including interest expense on bonds and notes outstanding.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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Notes to Financial Statements

(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 (STAR Ohio) investment pool. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals. However, notice must be given 24 hours in advance for all deposits or withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participants will be combined for these purposes.

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 nonnegotiable certificates of deposit, investments are carried at fair value, which includes accrued interest receivable. Accordingly, the Authority reports participating nonnegotiable certificates of deposit at amortized cost plus accrued interest receivable.

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

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2020 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.

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Notes to Financial Statements

(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, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	\$ 538,676	–	–	538,676
Building (useful life: 20-45 years)	887,524	–	–	887,524
Capital Improvements (useful life: 20 years)	628,314	–	–	628,314
Other (useful life: 3-10 years)	1,515,574	391,135	–	1,906,709
Total capital assets	\$ 3,570,088	391,135	–	3,961,223
Less: Accumulated Depreciation-Building	(634,313)	(36,980)	–	(671,293)
Less: Accumulated Depreciation-Cap. Impr.	(494,448)	(31,416)	–	(525,864)
Less: Accumulated Depreciation-Other	(1,405,366)	(57,074)	–	(1,462,440)
Capital Assets, at Depreciated Cost	\$ 1,035,961	265,665	–	1,301,626

(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, deferred inflows of resources, and restricted and unrestricted net position, as follows:

- Current: Due within one year from December 31, 2020
- Noncurrent: Due after December 31, 2021
- 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

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Notes to Financial Statements

lawful purpose. The unrestricted deficit in the Rural Development Fund resulted from commitment fees being incurred without any loans outstanding.

(j) Revenue and Expense Classifications

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

- Operating revenues consist of loan income, investment income, and administrative fees from projects
- Operating expenses consist of payroll and benefits, interest on bonds and notes, bond and note issuance expense, loan principal forgiveness and grant expense, state revolving fund administration, professional services, loan interest rate buy-down, and other operating expenses
- Nonoperating other revenues
- Contribution from U.S. EPA
- Federal subsidy income
- H2Ohio grant funding

(k) Risk Management

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

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$2,363,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$55,475,000. The Authority also carries premium-based medical, dental, and vision coverage for all employees.

During 2020, 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.

(l) Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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(2) CASH AND INVESTMENTS

As of December 31, 2020, the Authority's carrying amount of deposits was \$24,487,927 and bank balance of deposits was \$24,731,200. Of this amount, \$561,348 was covered by federal depository insurance, and \$24,169,852 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, 2020 was \$1,009,797. These deposits were collateralized with securities held by the Treasurer of State (as per the Ohio Pooled Collateral System) 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, 2020, 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 Farm Credit Bank	40.0%
	Federal Home Loan Mortgage Corporation	22.0%
Other Projects	Federal National Mortgage Association	38.0%
	Federal Home Loan Mortgage Corporation	20.0%
	Federal Farm Credit Bank	7.0%
Community Assistance	Federal Home Loan Mortgage Corporation	12.0%
	Federal Farm Credit Bank	5.0%
Fresh Water	Federal Farm Credit Bank	8.0%
	Federal Home Loan Bank	7.0%
WPCLF	Federal Home Loan Bank	9.0%

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.

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As of December 31, 2020, the Authority had the following investments and maturities:

Fund - Investment Type	Fair Value	Investment Maturity (in Years)		
		Less than 1	1-5	6-10
Operating:				
U.S. Agencies	\$1,411,605	1,411,605	-	-
U.S. Treasuries	866,974	441	866,533	-
	2,278,579	1,412,046	866,533	-
Other Projects:				
U.S. Treasuries	28,952,917	4,690,972	24,261,945	-
U.S. Agencies	92,536,493	11,420,641	81,115,852	-
Municipal Bonds	17,673,404	8,103,081	9,570,323	-
Money Market	5,487,583	5,487,583	-	-
	144,650,397	29,702,277	114,948,120	-
Rural Development:				
STAR Ohio	203,665	203,665	-	-
Money Market	109,643	109,643	-	-
	313,308	313,308	-	-
Community Assistance:				
U.S. Treasuries	14,151,616	7,780,430	6,371,186	-
U.S. Agencies	4,352,645	872,086	3,480,559	-
Money Market	7,029,829	7,029,829	-	-
	25,534,090	15,682,345	9,851,745	-
Fresh Water:				
U.S. Treasuries	196,936,720	151,945,066	44,991,654	-
U.S. Agencies	42,492,210	41,941,523	550,687	-
STAR Ohio	20,927,446	20,927,446	-	-
Money Market	18,502,641	18,502,641	-	-
	278,859,017	233,316,676	45,542,341	-
Water Pollution Control Loan:				
U.S. Treasuries	817,317,983	357,698,849	459,619,134	-
U.S. Agencies	208,102,809	161,648,064	46,454,745	-
Municipal Bonds	124,203,914	17,780,055	78,033,851	28,390,008
STAR Ohio	185,368,040	185,368,040	-	-
Money Market	46,333,667	46,333,667	-	-
	1,381,326,413	768,828,675	584,107,730	28,390,008
Drinking Water Assistance:				
U.S. Treasuries	207,385,242	152,693,474	54,691,768	-
U.S. Agencies	1,323,472	1,323,472	-	-
Municipal Bonds	5,899,973	22,308	-	5,877,665
STAR Ohio	12,053,751	12,053,751	-	-
Money Market	12,198,610	12,198,610	-	-
	238,861,048	178,291,615	54,691,768	5,877,665
In Lieu Fee Custodial Fund:				
U.S. Treasuries	3,018,651	3,018,651	-	-
STAR Ohio	25,623,087	25,623,087	-	-
Money Market	371,358	371,358	-	-
	29,013,096	29,013,096	-	-

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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, 2020, 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 STAR Ohio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAM by Standard & Poor's. The Authority's money market investments were rated AAAM by Standard & Poor's and Aaa-mf by Moody's. As of December 31, 2020, 97.36% of the Authority's rated investments were rated in the highest short-term or long-term rating category by Moody's.

As of December 31, 2020, the Authority categorizes fair value measurements of its negotiable investments within the fair value hierarchy as follows:

Investment Type	Level 1*	Level 2*	Level 3*
U.S. Treasuries	\$1,267,285,512	222,852	-
U.S. Agencies	-	350,219,234	-
Municipal Bonds	-	147,777,291	-

* Fair value hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs such as quoted prices for similar assets in active markets. The Authority obtains prices for our Level 1 and Level 2 publicly traded assets from our trustees who use various pricing services. Level 3 inputs are significant unobservable inputs. Excluded from the fair value hierarchy above are certain non-negotiable State and Local Government Securities (SLGS) which are held in an irrevocable escrow account and carried at cost.

As of December 31, 2020, the Authority had cash and cash equivalents balances of \$332,702,802, which includes accrued interest receivables on money market balances. Below is a reconciliation of the statement of net position and the statement of cash flows cash and cash equivalents balances:

Fund	Statement of Net Position Cash and Cash Equivalents Balance	Cash and Cash Equivalents Accrued Interest Receivable	Statement of Cash Flows Cash and Cash Equivalents Balance
Operating	\$ 549,455	-	549,455
Other Projects	5,772,496	(147)	5,772,349
Rural Development	313,308	(24)	313,284
Community Assistance	7,736,884	(138)	7,736,746
Fresh Water	47,711,563	(2,462)	47,709,101
Water Pollution Control Loan	242,540,588	(19,975)	242,520,613
Drinking Water Assistance	28,078,508	(916)	28,077,592
	<u>\$ 332,702,802</u>	<u>(23,662)</u>	<u>332,679,140</u>

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Notes to Financial Statements

(3) INTERFUND RECEIVABLES AND PAYABLES

On December 31, 2020, interfund balances consisted of:

- 1) \$857,279 owed to the Operating Fund by the Drinking Water Assistance Fund caused by the timing of pending loan fee repayment allocations.
- 2) \$357,940 owed to the Fresh Water Fund by the Rural Development Fund for the reimbursement of debt service and note issuance expenses.

(4) CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2020, the Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which became effective for all state and local governments. This Statement establishes criteria to identify fiduciary activities and how these fiduciary funds should be reported. Statement No. 84 improves financial reporting by providing greater consistency and enhancing comparability of the information reported in financial statements to assess government accountability and stewardship. The requirements of this Statement have been incorporated within the Authority’s financial statements.

Due to the implementation of GASB 84 for 2020, effective January 1, 2020, the Authority removed the In Lieu Fee Fund from the Authority’s business-type activities (total combining funds) and reclassified this fund as a fiduciary fund. In addition, the mitigation credits payable, previously recorded in the In Lieu Fee Fund, were reclassified to restricted net position to properly reflect the nature of the fiduciary fund. As a result of these issues, net position as of January 1, 2020 has been restated as follows:

	In Lieu Fee Fund	Business-type Activities	Custodial Fund
Net position, previously reported	\$ 2,002,846	\$ 4,489,062,596	\$ -
Fund reclassification due to GASB 84	(2,002,846)	(2,002,846)	2,002,846
Reclassification of mitigation credits from payables to restricted net position	-	-	17,417,808
Net position, as restated	\$ -	\$ 4,487,059,750	\$ 19,420,654

(5) WATER DEVELOPMENT REVENUE NOTES—RURAL DEVELOPMENT LOAN ADVANCE PROGRAM

As of December 31, 2020, there was \$0 of Water Development Revenue Notes outstanding for the Rural Development Loan Advance Program. Currently, the Authority has a \$25 million note purchase agreement in place to fund this program should any potential loans come forward.

The Rural Development note purchase agreement is a direct placement with PNC Bank, National Association for a commitment amount up to \$25 million expiring on March 1, 2022. Both loans repaid in full in 2020 and the Authority subsequently repaid the drawn portion of this note purchase agreement.

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Notes to Financial Statements

(6) WATER DEVELOPMENT REVENUE AND REFUNDING BONDS—COMMUNITY ASSISTANCE SERIES

As of December 31, 2020, there was \$41,090,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2011	Serial	4.00% to 5.00%	2021-2022	\$	2,920,000	1,585,000	4,505,000
2017	Serial	1.50% to 4.00%	2021-2030		1,135,000	12,390,000	13,525,000
2019	Serial	5.00%	2022-2030		-	23,060,000	23,060,000
Community Assistance Series Totals					4,055,000	37,035,000	41,090,000
Add: unamortized premiums					-	5,998,283	5,998,283
					\$	4,055,000	43,033,283
						43,033,283	47,088,283

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	4,055,000	1,835,725	5,890,725
2022		3,710,000	1,679,525	5,389,525
2023		3,580,000	1,513,525	5,093,525
2024		3,760,000	1,344,725	5,104,725
2025		3,915,000	1,167,400	5,082,400
2026-2030		22,070,000	2,908,275	24,978,275
	\$	41,090,000	10,449,175	51,539,175

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

- a) 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.
- b) Community Assistance Refunding Series 2017 – The Series 2017 Bonds are not subject to redemption prior to their stated maturity.
- c) Community Assistance Refunding Series 2019 – The Series 2019 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 2020, the amount received from reimbursements of Community Assistance project costs was \$11,705,317, compared to the required bond debt service payments of \$6,051,002.

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

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account, and Rebate account. As of December 1, 2020, 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.

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Notes to Financial Statements

(7) WATER DEVELOPMENT REVENUE AND REFUNDING BONDS AND NOTES—FRESH WATER SERIES

As of December 31, 2020, there was \$968,750,000 of Fresh Water Development Revenue and Refunding Bonds and Notes outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2001B	Serial	4.75% to 5.50%	2021	\$	1,805,000	-	1,805,000
2005	Serial	5.50%	2021-2025		11,095,000	14,630,000	25,725,000
2006	Term	5.25%	2022-2034		-	51,100,000	51,100,000
2009B	Serial	3.00% to 5.00%	2021-2022		500,000	2,815,000	3,315,000
	Term	3.125% to 5.250%	2021-2027		5,200,000	16,295,000	21,495,000
2010A-2	Term	3.693% to 4.917%	2021-2042		3,505,000	143,490,000	146,995,000
2013	Serial	5.00%	2021-2023		22,810,000	35,050,000	57,860,000
2016A	Serial	4.00% to 5.00%	2028-2036		-	49,050,000	49,050,000
	Term	5.00%	2030-2035		-	120,000,000	120,000,000
2016B	Serial	5.00%	2023-2037		-	105,500,000	105,500,000
	Term	5.00%	2030-2036		-	44,500,000	44,500,000
2018	Serial	5.00%	2021-2028		3,000,000	163,405,000	166,405,000
2019-22	Notes	Variable	2022		-	25,000,000	25,000,000
2019	Serial	2.00% to 5.00%	2029-2032		-	18,000,000	18,000,000
	Term	5.00%	2033-2044		-	132,000,000	132,000,000
Fresh Water Series Totals					47,915,000	920,835,000	968,750,000
Add: unamortized premiums					3,635	124,691,833	124,695,468
					\$ 47,918,635	1,045,526,833	1,093,445,468

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

		<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2021	\$	47,915,000	46,453,937	94,368,937
2022		72,195,000	44,038,733	116,233,733
2023		46,220,000	41,478,210	87,698,210
2024		44,555,000	39,223,364	83,778,364
2025		43,550,000	37,068,224	80,618,224
2026-2030		344,985,000	137,326,842	482,311,842
2031-2035		206,325,000	68,022,571	274,347,571
2036-2040		134,830,000	22,918,226	157,748,226
2041-2044		28,175,000	2,185,463	30,360,463
	\$	968,750,000	438,715,570	1,407,465,570

* In 2010, OWDA sold Federally Taxable BABs, which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2020, the subsidy was cut 5.2%, resulting in an effective subsidy equaling 33.2% 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

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will be \$413,858,639. As of December 31, 2020, the Authority has not received \$1,151,407 of BABs subsidy payments expected to be received by December 1, 2020.

The Fresh Water Series 2019-2022 Notes are taxable and have an adjustable rate that is reset monthly at a rate of 1-month LIBOR plus 0.75%. The notes interest payments to maturity are based on the rate for these notes at December 31, 2020, which was 0.90%.

The Fresh Water Notes are a direct placement with PNC Bank, National Association and State Street Public Lending Corporation (i.e., one agreement with liabilities split evenly across both banks) for a commitment amount up to \$250 million expiring on November 1, 2022. The Authority has drawn \$25 million from this commitment. In the event the Authority adds a new bank commitment product, renews this product or draws additional funds from this product, an event filing will be made with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system within ten business days. Events of default include:

- a) Payment default
- b) Nonpayment of commitment or other fees
- c) Covenant default
- d) Breach of representations
- e) Cross defaults to senior, parity or subordinate debt
- f) Cross acceleration of any senior, parity or subordinate debt
- g) Unappealable judgments for \$10 million of pledged revenues for a period of 60 days
- h) Ratings downgrades below Baa2 (Moody’s) or BBB (Standard and Poors)
- i) Bankruptcy, insolvency or declaration of a moratorium
- j) Any occurrence of an event of default under any other Credit Facility Documents
- k) Any representation or warranty contained in Anti-Terrorism Laws

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

- a) Fresh Water Series 2001B – The Series 2001B Bonds are not subject to redemption prior to maturity.
- b) Fresh Water Refunding Series 2005 – The Series 2005 Bonds are not subject to redemption prior to maturity.
- c) Fresh Water Refunding Series 2006 – 1) The Series 2006 Bonds are not subject to optional redemption prior to their stated maturity. 2) The term bonds are subject to mandatory redemption beginning December 1, 2022.
- d) Fresh Water Refunding Series 2009B – 1) The Series 2009B Bonds are not subject to optional redemption prior to their stated maturity. 2) The term bonds are subject to mandatory redemption beginning December 1, 2020.
- e) 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.
- f) Fresh Water Series 2013 – The Series 2013 Bonds are not subject to redemption prior to maturity.

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- g) Fresh Water Series 2016A – The Series 2016A Bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after June 1, 2026, at par plus accrued interest.
- h) Fresh Water Series 2016B – The Series 2016B Bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after December 1, 2026, at par plus accrued interest.
- i) Fresh Water Series 2018 – The Series 2018 Bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after March 1, 2028, at par plus accrued interest to the redemption date.
- j) Fresh Water 2019-22 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.
- k) Fresh Water Series 2019 – 1) The Series 2019 Bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after December 1, 2029, at par plus accrued interest to the redemption date. 2) Due to the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA) requirement to lend more than 95% of proceeds within three years, the bonds are subject to extraordinary mandatory redemption by the Authority at any time during the ninety-day period following November 19, 2022, in whole or in part, at a redemption price set forth in the Official Statement. Once this lending requirement is met, the Authority will give notice with a voluntary MSRB filing through its EMMA system.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security on a senior basis for the bonds and subordinate basis for the notes. 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 and notes. For 2020, the amount received from reimbursements of Fresh Water project costs was \$129,933,014, compared to the required bond and note debt service payments of \$93,566,915.

The bond and note resolutions provide 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, 2020, there is no accrued rebate liability for these bonds and notes.

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

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

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the 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.

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

As of December 31, 2020, there was \$467,650,000 of Water Pollution Control Loan Fund (WPCLF) Revenue and Refunding Bonds—Water Quality Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2005	Serial	5.500%	2021-2023	\$	20,875,000	17,015,000	37,890,000
2010B-2	Serial	4.192%	2024		-	11,390,000	11,390,000
	Term	3.742% to 4.879%	2021-2034		8,655,000	393,150,000	401,805,000
2010C	Serial	3.00% to 5.00%	2021-2022		13,105,000	3,460,000	16,565,000
WPCLF Water Quality Series Totals							
Add: unamortized premiums					-	903,240	903,240
					\$		
					42,635,000	425,015,000	467,650,000
					42,635,000	425,918,240	468,553,240

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

		<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2021	\$	42,635,000	22,149,833	64,784,833
2022		18,165,000	20,467,128	38,632,128
2023		8,985,000	19,653,145	28,638,145
2024		56,525,000	18,687,331	75,212,331
2025		55,685,000	15,977,749	71,662,749
2026-2030		208,585,000	42,241,284	250,826,284
2031-2034		77,070,000	7,197,135	84,267,135
	\$	467,650,000	146,373,605	614,023,605

* In 2010, OWDA sold Federally Taxable BABs which receive a cash subsidy payment from the United States Treasury equaling 35% of interest paid. In 2020, the subsidy was cut 5.2%, resulting in an effective subsidy equaling 33.2% 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 \$95,404,031. As of December 31, 2020, the Authority has not received \$3,332,069 of BABs subsidy payments expected to be received by December 1, 2020.

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

- a) Water Quality Refunding Series 2005 – These bonds are not subject to redemption prior to stated maturity.
- b) 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.
- c) Water Quality Refunding Series 2010C – These bonds are not subject to redemption prior to their stated maturity.

LGA reimbursements of WPCLF project costs of principal and interest (from loans made prior to May 1, 2014), pursuant to the WPCLF loan agreements, are primarily pledged as security for the WPCLF Water Quality Bonds, next to the WPCLF Water Quality Debt Service Reserve (DSR) for any shortages from the required DSR balance, and subordinately pledged as security for the WPCLF Bonds. LGA reimbursements of WPCLF project costs of interest from loans made after May 1, 2014, pursuant to WPCLF loan agreements are pledged first to any WPCLF State Match Bonds outstanding, second to WPCLF Water Quality Bonds, and third to WPCLF Bonds outstanding. In the event that LGA reimbursements of WPCLF principal and interest project costs are insufficient to cover WPCLF Water Quality debt service payments, unencumbered assets of the WPCLF Water Quality Debt Service Reserve, Surplus, and Other Projects accounts are also pledged as security for the bonds. For 2020, the amount received from reimbursements of WPCLF principal and interest project costs were \$388,952,878, compared to the required bond debt service payments of \$81,653,972.

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, 2020, there is no accrued rebate liability for these bonds.

Amounts received as principal and the interest (from loans made prior to May 1, 2014) from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

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

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- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.
- e) To the WPCLF Bonds to cover principal and interest due on the next payment date.

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

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

As of December 31, 2020, there was \$2,719,880,000 of Water Pollution Control Loan Fund Revenue and Refunding Bonds and Notes Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>	
2014	Serial	4.00% to 5.00%	2021-2024	\$	61,425,000	185,100,000	246,525,000	
2014B	Serial	2.00% to 5.00%	2021-2022		34,520,000	33,965,000	68,485,000	
2015A	Serial	5.00%	2021-2026		10,000,000	220,000,000	230,000,000	
2015B	Serial	5.00%	2025-2030		-	92,300,000	92,300,000	
	Term	5.00%	2029		-	12,570,000	12,570,000	
2016A	Serial	Variable	2031-2036		-	200,000,000	200,000,000	
2017A	Serial	5.00%	2026-2030		-	330,000,000	330,000,000	
	Term	5.00%	2031		-	70,000,000	70,000,000	
2017-22	Notes	Variable	2022		-	20,000,000	20,000,000	
2019A	Serial	5.00%	2025-2029		-	450,000,000	450,000,000	
2019B	Serial	5.00%	2032		-	14,070,000	14,070,000	
	Term	3.00% to 5.00%	2033-2046		-	285,930,000	285,930,000	
2020A	Serial	5.00%	2029-2033		-	166,000,000	166,000,000	
	Term	5.00%	2034-2050		-	284,000,000	284,000,000	
2020B	Serial	5.00% to 5.25%	2021-2033		16,000,000	163,695,000	179,695,000	
	Term	4.00% to 5.25%	2034-2038		-	70,305,000	70,305,000	
WPCLF Bonds and Notes Series Totals						<u>121,945,000</u>	<u>2,597,935,000</u>	<u>2,719,880,000</u>
Add: unamortized premiums						-	443,588,161	443,588,161
					\$	<u>121,945,000</u>	<u>3,041,523,161</u>	<u>3,163,468,161</u>

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The WPCLF Bonds and Notes Series debt service requirements to maturity are as follows:

	Principal	Interest	Total
2021	\$ 121,945,000	125,032,785	246,977,785
2022	170,365,000	117,186,288	287,551,288
2023	141,650,000	109,519,313	251,169,313
2024	110,350,000	102,916,438	213,266,438
2025	134,985,000	97,198,813	232,183,813
2026-2030	958,180,000	360,050,688	1,318,230,688
2031-2035	567,525,000	170,553,213	738,078,213
2036-2040	341,205,000	78,666,500	419,871,500
2041-2045	62,730,000	34,624,275	97,354,275
2046-2050	110,945,000	14,929,175	125,874,175
	<u>\$ 2,719,880,000</u>	<u>1,210,677,488</u>	<u>3,930,557,488</u>

The WPCLF 2016A Bonds have a variable rate that is reset weekly by a remarketing agent. The bonds interest payments to maturity are based on the weighted average interest rate of 1.01% for these bonds from the issuance date of May 4, 2016 to December 31, 2020.

The WPCLF 2017-22 Notes have an adjustable rate that is reset monthly at a rate of 1-month LIBOR multiplied by applicable factor of 0.70 plus 0.48%. The notes interest payments to maturity are based on the rate for these notes at December 31, 2020, which was 0.61%.

The WPCLF 2017-22 Notes are a direct placement with PNC Bank, National Association and State Street Public Lending Corporation (i.e., one agreement with liabilities split evenly across both banks) for a commitment amount up to \$200 million expiring on November 1, 2022. The Authority has drawn \$20 million from this commitment. Events of default include:

- a) Payment default
- b) Nonpayment of commitment or other fees
- c) Covenant default
- d) Breach of representations
- e) Cross defaults to senior, parity or subordinate debt
- f) Cross acceleration of any senior, parity or subordinate debt
- g) Unappealable judgments for \$10 million of pledged revenues for a period of 60 days
- h) Ratings downgrades below Baa2 (Moody's) or BBB (Standard and Poors)
- i) Bankruptcy, insolvency or declaration of a moratorium
- j) Any occurrence of an event of default under any other Credit Facility Documents
- k) Any representation or warranty contained in Anti-Terrorism Laws

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The Authority has four bank commitments in the WPCLF Program totaling \$1 billion, with \$20 million drawn in WPCLF 2017-22 Notes. Specific information for these four bank funding commitments in WPCLF is detailed below:

Bank	Type	Commitment Amount ^	Drawn Amount ^	Commitment Expiration Date
Bank of America	Direct placement	\$ 400,000,000	-	4/10/2023
Huntington Investment Company	Direct borrowing	100,000,000	-	5/31/2021
PNC/State Street	Direct placement	200,000,000	20,000,000	11/1/2022
RBC Capital Markets	Direct placement	300,000,000	-	1/15/2022
		\$ <u>1,000,000,000</u>	<u>20,000,000</u>	

^ In the event the Authority adds any new bank commitment product, renews any of these products or draws additional funds from any of these products, an event filing will be made with the MSRB through its EMMA system within ten business days.

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

- a) WPCLF Series 2014 – These bonds are not subject to redemption prior to their stated maturity.
- b) WPCLF Refunding Series 2014B – These bonds are not subject to redemption prior to their stated maturity.
- c) WPCLF Series 2015A – These bonds are not subject to redemption prior to their stated maturity.
- d) WPCLF Refunding Series 2015B – The bonds maturing on or after June 1, 2026 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2025, at par plus accrued interest.
- e) WPCLF Series 2016A – These bonds are subject to redemption to maturity on the first business day of any month, at the option and direction of the Authority, in whole or in part, at a redemption price of par plus accrued interest.
- f) WPCLF 2017A – The bonds maturing on or after June 1, 2027 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2027, at par plus accrued interest.
- g) WPCLF 2017-22 – These notes are subject to optional redemption, in whole or in part, 30 days after the date of issuance, at par plus accrued interest.
- h) WPCLF Series 2019A – These bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after March 1, 2029, at par plus accrued interest to the redemption date.
- i) WPCLF Series 2019B – These bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after December 1, 2029, at par plus accrued interest to the redemption date.
- j) WPCLF Series 2020A – These bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after June 1, 2030, at par plus accrued interest to the redemption date.

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- k) WPCLF Series 2020B – These bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after December 1, 2030, at par plus accrued interest to the redemption date.

LGA reimbursements of WPCLF project costs of principal and interest (from loans made prior to May 1, 2014), pursuant to WPCLF loan agreements, are pledged as security for the WPCLF Bonds and Notes on a subordinate basis to the WPCLF Water Quality Bonds. LGA reimbursements of WPCLF project costs of interest from loans made after May 1, 2014, pursuant to WPCLF loan agreements are pledged first to any WPCLF State Match Bonds outstanding, second to WPCLF Water Quality Bonds, and third to WPCLF Bonds and Notes outstanding. WPCLF Bond and Note debt service is funded after all WPCLF Water Quality debt service due on the next debt service payment date is funded and, if necessary, any shortages of the WPCLF Water Quality DSR required balance is funded. In the event that LGA reimbursements of WPCLF project costs of principal and interest are insufficient to cover WPCLF Water Quality and/or WPCLF Bond and Note debt service payments, any unencumbered assets of the WPCLF Water Quality Debt Service Reserve, Surplus, and Other Projects accounts are also pledged as security for the bonds and notes. For 2020, the amount received from reimbursements of WPCLF principal and interest project costs after funding of WPCLF Water Quality Debt Service was \$307,298,906, compared to the required bond and note debt service payments of \$200,699,026.

The bond and note resolutions provide 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, 2020, there is no accrued rebate liability for these bonds and notes.

Amounts received as principal and interest from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. After all WPCLF Water Quality debt service and DSR funding needs are met, the trustee then allocates or pays out moneys in the Repayment account to WPCLF Bonds and Notes 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 and Notes due on the next interest payment date, (b) the principal of all outstanding WPCLF Bonds and Notes due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding WPCLF Bonds and Notes 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 and Notes received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds and Notes in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) If applicable, to the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a value at least equal to the required reserve fund balance.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

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

As of December 31, 2020, there was \$22,635,000 of Drinking Water Assistance Fund (DWAFF) Revenue and Refunding Bonds—Leverage Series outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2005	Serial	5.25%	2023	\$	-	750,000	750,000
	Term	5.25%	2021-2022		3,890,000	2,625,000	6,515,000
2014	Serial	4.00% to 5.00%	2021-2024		6,590,000	8,780,000	15,370,000
DWAFF Leverage Series Totals					<u>10,480,000</u>	<u>12,155,000</u>	<u>22,635,000</u>
Add: unamortized premiums					-	727,798	727,798
					<u>\$ 10,480,000</u>	<u>12,882,798</u>	<u>23,362,798</u>

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	10,480,000	1,012,156	11,492,156
2022		10,020,000	489,844	10,509,844
2023		1,445,000	81,988	1,526,988
2024		690,000	17,250	707,250
	\$	<u>22,635,000</u>	<u>1,601,238</u>	<u>24,236,238</u>

Prior redemption of DWAFF—Leverage Series Bonds, by series, is as follows:

- a) Leverage Refunding Series 2005 – The term bonds are subject to mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.
- b) Leverage Refunding Series 2014 – These bonds are not subject to redemption prior to their stated maturity.

LGA reimbursements of DWAFF project costs of principal and interest (from loans made prior to August 3, 2016), pursuant to DWAFF loan agreements, are primarily pledged as security for the DWAFF Leverage bonds, next to the DWAFF Leverage DSR for any shortages from the required DSR balance, and subordinately as security for DWAFF Bonds. LGA reimbursements of DWAFF project costs of interest from loans made after August 3, 2016, pursuant to DWAFF loan agreements, are pledged first to any DWAFF State Match Bonds outstanding, second to DWAFF Leverage Bonds, and third to DWAFF Bonds outstanding. In the event that LGA reimbursements of DWAFF principal project costs are insufficient to cover DWAFF Leverage debt service payments, unencumbered assets of the DWAFF Leverage Debt Service Reserve and Other Projects accounts are also pledged as security for the bonds. For 2020, the amount received from reimbursements of DWAFF principal and interest project costs were \$72,186,654, compared to the required bond debt service payments of \$29,792,106.

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The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account, and Rebate account. As of December 31, 2020, there is no accrued rebate liability for these bonds.

Amounts received as principal and interest from the LGAs as reimbursement of project or construction costs are deposited in the Principal and Additional Pledged Loan Interest Repayment accounts. The trustee then allocates or pays out moneys in the Principal Repayment account first and Additional Pledged Loan Interest Repayment account (after all moneys of the Principal Repayment account are used for debt service) 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 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.

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(11) DRINKING WATER ASSISTANCE FUND REVENUE BONDS SERIES

As of December 31, 2020, there was \$418,910,000 of Drinking Water Assistance Fund Revenue Bonds outstanding, broken down by series as follows:

<u>Series</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
2016	Serial	3.00% to 5.00%	2021-2029	\$	4,000,000	82,500,000	86,500,000
	Term	4.00% to 5.00%	2030-2037		-	48,000,000	48,000,000
2019A	Serial	2.00% to 5.00%	2021-2029		9,000,000	238,000,000	247,000,000
2019B	Serial	5.00%	2022-2030		-	37,410,000	37,410,000
DWAF Bonds Series Totals					13,000,000	405,910,000	418,910,000
Add: unamortized premiums					-	79,001,738	79,001,738
					<u>\$ 13,000,000</u>	<u>484,911,738</u>	<u>497,911,738</u>

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	13,000,000	20,332,750	33,332,750
2022		21,555,000	19,636,375	41,191,375
2023		30,735,000	18,443,875	49,178,875
2024		30,915,000	16,904,875	47,819,875
2025		31,105,000	15,369,250	46,474,250
2026-2030		249,600,000	48,886,750	298,486,750
2031-2035		32,500,000	6,045,000	38,545,000
2036-2037		9,500,000	575,000	10,075,000
	\$	<u>418,910,000</u>	<u>146,193,875</u>	<u>565,103,875</u>

The Authority has two undrawn bank funding commitments in the DWAF Program as specified in the table below:

<u>Bank</u>	<u>Type</u>	<u>Commitment Amount ^</u>	<u>Drawn Amount ^</u>	<u>Commitment Expiration Date</u>
Bank of America	Direct placement	\$ 150,000,000	-	6/1/2021
Huntington Investment Company	Direct borrowing	100,000,000	-	8/31/2022
		<u>\$ 250,000,000</u>	<u>-</u>	

^ In the event the Authority adds any new bank commitment product, renews any of these products or draws funds from either of these products, an event filing will be made with the MSRB through its EMMA system within ten business days.

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

- a) DWAF Series 2016 – The bonds maturing on or after June 1, 2027 are subject to prior redemption by and at the sole option of the Authority in whole multiples of \$5,000, either in

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whole or in part on any date on or after December 1, 2026, at a redemption price of par plus accrued interest.

- b) DWAF Series 2019A – 1) The bonds are subject to prior redemption at the sole option of the Authority, in whole or in part, on or after September 1, 2029, at par plus accrued interest to the redemption date. 2) Due to TIPRA requirement to lend more than 95% of proceeds within three years, the bonds maturing on and after December 1, 2022 are subject to extraordinary mandatory redemption, in whole or in part, at a redemption price of 102% of the principal part redeemed plus accrued interest to the redemption date. Such redemption is to be made on October 1, 2022 in an amount equal to the excess of 95% of net proceeds over the amount of proceeds used to make loans. Once this lending requirement is met, the Authority will give notice with a voluntary MSRB filing through its EMMA system.
- c) DWAF Refunding Series 2019B – These bonds are not subject to redemption prior to their stated maturity.

LGA reimbursements of DWAF project costs of principal and interest (from loans made prior to August 3, 2016), pursuant to DWAF loan agreements, are pledged as security for the DWAF Bonds on a subordinate basis to the DWAF Leverage Bonds. LGA reimbursements of DWAF project costs of interest from loans made after August 3, 2016, pursuant to DWAF loan agreements are pledged first to any DWAF State Match Bonds outstanding, then to DWAF Leverage Bonds, and third to DWAF Bonds outstanding. DWAF Bond debt service is funded after all DWAF Leverage debt service due on the next debt service payment date is funded and, if necessary, any shortages of the DWAF Leverage DSR required balance is funded. In the event that LGA reimbursements of DWAF project costs of principal and interest are insufficient to cover DWAF Leverage and/or DWAF Bond debt service payments, any unencumbered assets of the DWAF Leverage Debt Service Reserve, Surplus, and Other Projects accounts are also pledged as security for the bonds. For 2020, the amount received from reimbursements of DWAF principal and interest project costs after funding of DWAF Leverage debt service was \$42,394,548, compared to the required bond debt service payments of \$24,054,467.

Amounts received as principal and interest from the LGAs as reimbursement of project or construction costs are deposited in the Principal and Additional Pledged Loan Interest Repayment accounts. After all DWAF Leverage debt service and DSR funding needs are met, the trustee then allocates or pays out moneys in the Principal Repayment account first and Additional Pledged Loan Interest Repayment account (after all moneys of the Principal Repayment account are used for debt service) 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 Bonds due on the next interest payment date, (b) the principal of all outstanding DWAF Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding DWAF 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 DWAF Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.

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- c) If applicable, to the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a value at least equal to the required reserve fund balance.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

(12) 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, 2020, which have been defeased:

Series	Year Defeased	Balance Outstanding
WPCLF State Match 2005	2014	\$270,000

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

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2020, outstanding bonds and notes under this program total \$833,575,000.

(14) DEFINED BENEFIT PENSION PLAN

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of a total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of the Ohio Public Employees Retirement System (OPERS) Pension Plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of its fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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The Ohio Revised Code (ORC) limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from the employee services; and (2) State statute requires all funding to come from these employers. All contributions to-date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees (OPERS Board) must propose corrective action to the State legislature. Any resulting legislation change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description

Organization – OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the member's employment. Contributions made prior to the member's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

All state and local governmental employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the ORC. For actuarial purposes, employees who have earned sufficient service credit (five years) are entitled to a future retirement benefit from OPERS. Employer, employee, and retiree data as of December 31, 2019 can be found in the OPERS 2019 Comprehensive Annual Financial Report (CAFR) at <https://www.opers.org/financial/reports.shtml>.

Pension Benefits – All benefits of the System, and any benefit increases, are established by the legislature pursuant to ORC Chapter 145.

Age-and-Service Defined Benefits – Effective January 7, 2013, Senate Bill (SB) 343 modified components of the Traditional Pension and Combined Plans. Members were impacted by the changes to varying degrees based on their transition group. Three transition groups (A, B, and C) were designed to ease the transition of key components of the pension plan changes. Members who were eligible to retire under law in effect prior to SB 343, or were eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who had at least 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C included those members who are not in either of the other groups and members who

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were hired on or after January 7, 2013. Please see the Plan Statement in the OPERS 2019 CAFR for additional details.

Benefits in the Traditional Pension Plan for State and Local members are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement benefits at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the OPERS 2019 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age-and-years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested in upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to allow OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age-and-years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55,

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have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits.

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions, and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in either the Traditional Pension Plan or Combined Plan. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992 are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed five years of total service is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with five years of total service will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. ORC Chapter 145, updated by House Bill 520, and the corresponding Combined Plan document specify the dependents and the conditions under which they qualify for survivor benefits.

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, the member receives an annual cost-of-living adjustment. This cost-of-living adjustment is calculated on the member's original base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3%. For those retiring on or after January 7, 2013, beginning in 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

Money Purchase Annuity – Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the

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retiree for the period of re-employment, and an amount of the employer contributions determined by the OPERS Board. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of re-employment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The ORC and applicable plan documents require a two-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for Traditional Pension Plan members include the member's accumulated contributions, interest, and any qualifying employer funds, as determined by the OPERS Board. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, as determined by the OPERS Board, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to participants in the Member-Directed Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic member and employer contributions to all three plans (Traditional Pension, Combined, and Member-Directed) at rates established by the OPERS Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS actuary. All contribution rates were within the limits authorized by the ORC.

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2019. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Member contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the members during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10% and 14%, respectively. With the assistance of the OPERS actuary and Board approval, a portion of each employer's contributions to OPERS may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2019. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts for 2019 was 4.0%. The amount of contributions to OPERS from the Authority during 2019 and 2020 was \$158,797 and \$175,158, respectively, which represents 100% of the Authority's required

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contribution. In 2020 and 2019, the Authority did not make any contributions to the Combined Plan, and contributions to the Member-Directed Plan were immaterial.

The ORC Chapter 145 assigns authority to the Board to amend the funding policy. As of December 31, 2019, the Board adopted the contribution rates that were recommended by the actuary. The contribution rates were included in a new funding policy adopted by the Board in October 2013, and are certified periodically by the OPERS Board as required by the ORC.

As of December 31, 2019, the date of the last actuarial study, the funding period for all defined benefits of OPERS was 23 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2019, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the Authority's proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$1,474,322
CY Proportionate Share	0.007459%
PY Proportionate Share	0.007756%
Change in Proportionate Share	-0.000297%
Pension Expense	\$ 131,143

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (i.e., the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial Information	Traditional Pension Plan
Measurement and Valuation Date	December 31, 2019
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple

Pre-retirement mortality rates are from the RP-2014 Healthy Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality table for males and females, adjusted for mortality improvement back to the observation base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability or asset calculated using the discount rate of 7.2%, and expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

Employers Net Pension Liability	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Traditional Pension Plan	\$ 2,431,634	1,474,322	613,727

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	100.00%	5.61

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within The Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

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Deferred Inflows and Deferred Outflows

At December 31, 2020, the Authority reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

Deferred Inflows of Resources:

Differences between expected and actual experience	\$	18,641
Net difference between projected and actual earnings on pension plan investments		294,095
Change in Authority's proportionate share		<u>57,087</u>
Total	\$	<u>369,823</u>

Deferred Outflows of Resources:

Change in Assumptions	\$	78,746
Authority's contributions subsequent to the measurement date		<u>175,158</u>
Total	\$	<u>253,904</u>

The \$175,158 reported as deferred outflows related to pensions resulting from employer contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Year Ending December 31	Traditional Pension Plan Net Deferred Outflows / (Inflows) of Resources
2021	\$ (80,088)
2022	(106,392)
2023	12,178
2024	<u>(116,775)</u>
Total	\$ <u>(291,077)</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(15) DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

Other Postemployment Benefits (OPEB) is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description

Plan Description - The Ohio Public Employees Retirement System (OPERS) 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. For 2020, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

With the assistance of the System's actuary, the OPERS Board may approve a portion of each employer contribution to OPERS be set aside for the funding of post-employment health care coverage. However, health care funding is subordinate to pension funding. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero in 2020 and 2019 and is expected to remain at that level. The employer contribution as a percentage of covered payroll deposited into the Member-Directed Plan participants' accounts for 2020 was 4.0%. Due to the discretionary nature of health care funding and the potential for frequent changes in allocations, including no funding to health care for some plans, the calculation of proportionate shares of employers is based on total employer contributions.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$0 for 2019 and \$0 for 2020.

Net OPEB Liability & OPEB Expense

The net OPEB liability and total OPEB expense for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year for the defined benefit health care plans. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.0083420%
Prior Measurement Date	0.0082187%
 Change in Proportionate Share	 0.0001233%
 Proportionate Share of the Net OPEB Liability	 \$1,152,246
 OPEB Expense	 \$ 91,636

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019.

The actuarial valuation used the following actuarial assumptions applied to all prior periods (PY = prior year) included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75%
	(includes wage inflation at 3.25%)
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	6.00%/6.00% in PY
Municipal Bond Rate	2.75%/3.71% in PY
Health Care Cost Trend Rate	10.50% initial/ 10.00% initial in PY, 3.50% ultimate in 2030/ 3.25% ultimate in 2028 in PY
Actuarial Cost Method	Individual Entry Age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

rates are based on the RP-2014 Healthy Annuitant Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00%	4.55

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Discount Rate

A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	\$ 1,507,855	1,152,246	867,459

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ 1,118,212	1,152,246	1,185,780

Deferred Inflows and Outflows

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 105,378
Net difference between projected and earnings on OPEB plan investments	58,672
	<u>\$ 164,050</u>

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 31
Change in assumptions	182,388
Change in Authority's proportionate share and difference in employer contributions	4,033
	<u>\$ 186,452</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31</u>	<u>Traditional Pension Plan Net Deferred Outflows / (Inflows) of Resources</u>
2021	\$ 31,942
2022	15,484
2023	47
2024	(25,071)
Total	<u>\$ 22,402</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(16) COMMITMENTS

As of December 31, 2020, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 53,218,868
Fresh Water	140,928,794
Water Pollution Control Loan	983,297,120
Drinking Water Assistance	<u>334,165,826</u>
	<u>\$ 1,511,610,608</u>

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

(17) TRANSFERS

Interfund transfers for the year ended December 31, 2020 consisted of the following:

Transfers to Other Projects from:	
Community Assistance	\$ 7,421,310
Fresh Water	<u>2,569,398</u>
	\$ 9,990,708
Transfers from Community Assistance to:	
Other Projects	\$ (7,421,310)
Fresh Water	<u>(232,623)</u>
	\$ (7,653,933)
Transfers, net, to (from) Fresh Water from (to):	
Other Projects	\$ (2,569,398)
Community Assistance	<u>232,623</u>
	\$ (2,336,775)
Transfers from Water Pollution Control to:	
Drinking Water	\$ (20,000,000)
Transfers to Drinking Water from:	
Water Pollution Control	\$ 20,000,000
Total Transfers, net	<u>\$ —</u>

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority’s Board. In the year ended December 31, 2020, the Authority made the following non-routine transfers:

- a) \$7,421,310 transferred from the Community Assistance Fund and \$2,569,398 from the Fresh Water Fund to the Other Projects Fund for additional funding for Other Projects Fund loans and grants.
- b) \$232,623 transferred from the Community Assistance Fund to the Fresh Water Fund for additional funding for Fresh Water loans.
- c) \$20,000,000 transferred from the Water Pollution Control Loan Fund to the Drinking Water Assistance Fund for funding for the Water Infrastructure Transfer Act to be used as principal forgiveness to fund lead service line replacements.

(18) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2020, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2019 Balance	Additions	Reductions	12/31/2020 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 200,961	195,317	106,743	\$ 289,535	-	289,535
Net Pension Liability	2,124,211	-	649,889	1,474,322	-	1,474,322
Net OPEB Liability	1,071,526	80,720	-	1,152,246	-	1,152,246
Revenue Bonds and Notes Payable	4,781,845,931	888,798,960	376,815,203	5,293,829,688	240,033,635	5,053,796,053
Total Long-Term Liabilities	\$4,785,242,629	889,074,997	377,571,835	\$5,296,745,791	240,033,635	5,056,712,156

(19) SUBSEQUENT EVENT

Since December 31, 2020, the Authority has issued additional debt. The Authority issued \$125,000,000 in Drinking Water Assistance Fund Revenue Bonds – Series 2021A on March 24, 2021. As these bonds were not issued until 2021, they are not included in the long-term debt of the Authority as of December 31, 2020.

OHIO WATER DEVELOPMENT AUTHORITY

Schedule of Proportionate Share of Net Pension Liability Ohio Public Employees Retirement System

Last Six Calendar Years*
Unaudited

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.0095310%	0.0091080%	0.0085060%	0.008748%	0.007756%	0.007459%
Proportionate share of the net pension liability	\$ 1,149,545	1,577,618	1,931,568	1,372,392	2,124,211	1,474,322
Covered payroll	\$ 1,200,805	1,207,158	1,247,362	1,340,687	1,272,812	1,358,368
Proportionate share of the net pension liability as a percentage of covered payroll	95.73%	130.69%	154.85%	102.36%	166.89%	108.54%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	81.08%	77.25%	84.66%	74.70%	82.17%

* - Table will begin to cover ten years of data starting with 2015. Amounts presented represent pension amounts as of measurement period, which is one year prior to the date of the financial statements.

Notes to Schedule:

Change in assumptions:

In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

OHIO WATER DEVELOPMENT AUTHORITY

Schedule of Pension Contributions Ohio Public Employees Retirement System

Last Seven Calendar Years*
Unaudited

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 140,729	142,358	139,196	146,994	150,591	158,797	175,158
Contributions in relation to the contractually required contributions	\$ 140,729	142,358	139,196	146,994	150,591	158,797	175,158
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 1,200,805	1,207,158	1,247,362	1,340,687	1,272,812	1,358,368	1,457,890
Contributions as a percentage of covered payroll	11.72%	11.79%	11.16%	10.96%	11.83%	11.69%	12.01%

* - Table will begin to cover ten years of data starting with 2014.

OHIO WATER DEVELOPMENT AUTHORITY

Schedule of Proportionate Share of Net OPEB Liability Ohio Public Employees Retirement System

Last Four Calendar Years* Unaudited

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Proportion of the net OPEB liability	0.008506%	0.008875%	0.008219%	0.008342%
Proportionate share of the net OPEB liability	\$ 853,443	963,778	1,071,526	1,152,246
Covered payroll	\$ 1,247,362	1,340,687	1,272,812	1,358,368
Proportionate share of the net OPEB liability as a percentage of covered payroll	68.42%	71.89%	84.19%	84.83%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%	47.80%

* - Table will begin to cover ten years of data starting with 2017. Amount presented represents OPEB amounts as of measurement period, which is one year prior to the date of the financial statements.

Notes to Schedule:

Change in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

For 2019, the single discount rate changed from 3.85% to 3.96%. The investment rate of return changed from 6.5% to 6.0% and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

For 2020, the single discount rate changed from 3.96% to 3.16%. The health care cost trend rate changed from 10.0% initial/3.25% ultimate in 2028 to 10.5% initial/3.50% ultimate in 2030.

OHIO WATER DEVELOPMENT AUTHORITY

Schedule of OPEB Contributions Ohio Public Employees Retirement System

Last Five Calendar Years*

Unaudited

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 23,189	11,307	-	-	-
Contributions in relation to the contractually required contributions	\$ 23,189	11,307	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 1,247,362	1,340,687	1,272,812	1,358,368	1,457,890
Contributions as a percentage of covered payroll	1.86%	0.84%	0.00%	0.00%	0.00%

* - Table will begin to cover ten years of data starting with 2016.

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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 the business-type activities, each major fund, and the aggregate remaining fund information of the Ohio Water Development Authority (the Authority) as of and for the year ended December 31, 2020, 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 25, 2021, wherein we noted the Authority implemented GASB Statement No. 84.

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) as a basis for designing 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 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.

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 financial statement. 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

This 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 25, 2021

OHIO AUDITOR OF STATE KEITH FABER



OHIO WATER DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov